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**Visa, Inc.** (V)

Wells Fargo TMT Summit

## CORPORATE PARTICIPANTS

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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## OTHER PARTICIPANTS

**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

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## QUESTION AND ANSWER SECTION

**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

Q

Welcome, everybody. Thank you for being here for the Visa Fireside Chat. I'm Jason Kupferberg. The payments, processors and IT services analyst here at Wells Fargo, and very excited to have with us Chris Suh, CFO of Visa, of course. And we got a lot to get through. We've got 35 minutes. We're really happy that you're here. And I'll start with congratulations. Congratulations on, I guess we've got to call it, the proposed settlement, long-running merchant litigation. I know it's not done-done yet, but hopefully the second time's a charm because we had a proposed settlement last year.

But just take us quickly, for those who may be a little bit less aware, just high-level terms and how that differs a little bit versus the last settlement, and just any kind of potential next steps from here. And then I've maybe a follow-up or two on it.

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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Sounds good. And hi, everyone. Thanks for the time today. Thanks for coming to hear about what's happening at Visa. Okay. So starting with the settlement – the proposed settlement, there are a number of moving parts. I'll try to lay this out sort of from end to end. As you know, Jason, last week, it was early last week, we did announce that we've reached a proposed settlement with merchants in the US. Now, as you said, Jason, this litigation has been going on for actually over 20 years, and we have been very focused on reaching a resolution.

The proposed settlement provides for meaningful relief, more flexibility, and options for merchants to control how they accept payments from their customers. At a high level when compared to the prior settlement terms, the new settlement offers a more significant interchange reduction and more flexibility and control around two topics: surcharging and honor all cards. Now, without going through everything in a great amount of detail, let me just hit a few high points and then talk about implications and next steps. I think those are the things that you asked about.

So first, when it comes to interchange reduction, the topic of interchange, the proposal lowers US average combined credit effective interchange rates by 10 basis points and also then provides merchants with rate

certainty. In other words, US posted credit interchange rates would be capped for a period of five years, and credit interchange rates associated with the standard category of credit cards would be capped at 125 basis points for the term of the agreement. So, those are the two sort of key elements in interchange.

The second point around flexibility and options around surcharging and honor all cards. What that means is merchants will have more options to surcharge even when other credit networks aren't being surcharged. And secondly, they will have more flexibility around honor all cards, which means they could choose to accept cards along distinct categories, and that's commercial, premium consumer, and standard consumer. And then third, we're going to make merchant education programs broadly available to merchants of all sizes in the US that addresses payment acceptance and cost management. So, those are kind of the big elements in terms of the structure of their agreement.

Now, what are the implications, I think, was your other question. Well, obviously, it's early. We are a ways away from any sort of implementation, but clearly it will be cheaper for merchants to accept credit cards, and they will have more flexibility around these terms that I talked about. So, flexibility and control around honor all cards and surcharging. But when they make these choices, I mean, clearly merchants think about other things besides cost. They think about the experience that they want for their customers. They want the customer experience, so it's not just about cost. They consider reliability, safety, flexibility, speed, trust. They think about the customer experience, the customer [ph] UI – (00:04:08) the UX, all the innovative things that Visa has done. And so, they have choices to make. And clearly, merchants have chosen and have benefited from working with Visa for a long time, and we believe they'll continue to choose Visa.

Final thing in terms of next steps. So, next steps, like I said, it's early. We think the litigation process will take through the course of FY 2026, and so any implementation would likely be in FY 2027. In terms of supporting the approval process, we, along with Mastercard, have filed an affirmative brief with additional details. The mediator, in this case, who knows the case well, has also filed the support declaration. And of course, we all stand ready to address any questions or concerns raised by either the court or the merchants in this case. So, those are sort of the next steps.

To summarize, we're very pleased to have reached this proposed settlement, one that offers meaningful value and flexibility and options, as I talked about. We're going to be very focused on reaching the approval process. And we believe Visa remains very well positioned to compete in this new environment.

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**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

Q

Are pretty much all of the rewards cards in that "consumer premium" category? Or maybe you can just talk a little bit about how the categories were created.

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

So, I have seen some stories written about, like, sort of the distinction, calling it rewards cards versus non-rewards cards. And that's generally a fair construct, but I will say there are some rewards cards even in the standard category as well. So, it's not exactly delineated in rewards versus non-rewards. They're just standard tiers, premium tiers, and of course, commercial.

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**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

Q

Okay. And the honor all cards and the surcharging changes there, has that also got the five-year term on it, or is that more indefinite, if you will, vis-à-vis the interchange changes?

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

Those aren't – that's not capped by the same term as the interchange changes.

**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

Q

Okay. So, we should consider that to be indefinite for the time being, at least. Okay. Okay. Understood. Okay. Great. Well...

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

That was a mouthful. I get it.

**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

Q

Yeah, yeah.

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

[ph] But it's important (00:06:26) to get it all out.

**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

Q

Yeah, no, I appreciate it because I know there's some nuances there. So, let's just talk about the core consumer business. I mean, I know like pretty much every year when we see you, it's always about the macro, right? So, you guys had made some comments on your last earnings call, what you saw through the first three weeks of October. Maybe you can catch us up on what's going on, because there really do seem to be a lot of crosscurrents of data points, and even had a very big retailer this morning talking about some softness. What is Visa seeing on the ground and maybe talk about domestic versus cross-border and travel, et cetera?

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

Okay. Yeah, let's try to cover that. I'm going to start with Q4, just because it's...

**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

Q

Yeah, get the context, right?

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

Yeah, the context. If I go back, Q4 – we reported Q4 in the third week of October. My uber-message, obviously, we had a strong Q4 financially, but underneath that, if you look at all the metrics and the KPIs that we report on, we did see broad-based strength and stability. And I call it broad-based because you can sort of go through

categories. Obviously, the drivers were healthy, payment volumes were healthy and stable to Q3, transactions were healthy and stable to Q3. But as you click down into the category, so we see discretionary spend, non-discretionary spend, both being stable or better than Q3, categories like fuel and travel, retail goods and services, all healthy.

And then, again, further clicking down, we said credit was up relative to Q3, debit was up relative to Q3, even commercial was up relative to Q3, not just consumer. Card present, card not present, both up relative to Q3, so pretty broad-based. And then, again, clicking further, average ticket sizes were stronger in Q4 than in Q3. And if you look at spend by, what we call, spend band, which is high spenders versus medium spenders versus low spenders, and you look at the spend volume that happens in each of these spend bands, that was also very stable with high spenders driving more of the growth, as they have throughout the course of the year, but again, all spend categories being stable to Q3 and Q4.

And so, strong quarter and very, very stable. And we tend to be very data-driven on these things. Obviously, we see the headlines as well and recognize that there's a level of consumer uncertainty that is out there, but the data would indicate health and stability. And then, we sort of overlay that with the macro elements. Of course, we're not macro economists in that sense, but we look at the jobs data and...

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**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

Yeah.

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

...employment data. We look at personal wage growth and stability there, look at personal balance sheets, they seem to be stable and healthy. And so, that all adds up from our standpoint. We have exposure to the broadest set of spend. And so, maybe we're unique from that point of view, but that adds up to the simple statements that we made around stability and consumer resiliency. So, that's sort of looking back.

Now, looking forward, when we talked about October, you sort of look at all that data, and we said – through the 21st of October when we reported earnings, we said – we shared a number of statistics around transactions, around US payment volumes, around cross-border data. And I'll also say that all those have remained consistent through the full month of October as well.

Now, the one thing I – you also asked about cross-border, and I should touch on that. Cross-border as well, like along this theme of stability, cross-border, if you look at cross-border volumes in Q3 and Q4, also very, very identical, right? 11% growth in Q3, 11% growth in Q4. E-commerce cross-border 13% Q3, 13% Q4. And travel 9% in Q3, 10% in Q4. So, ticking up a little bit as we saw strong commercial travel volumes and a little bit of benefit of holiday timing in CEMEA. Those are some of the things. But again, I would characterize that all as strong and healthy. And so, looking forward through all of that, that gave us the confidence, again, to put out a strong guide for Q1 and for FY 2026.

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**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

Okay. So, stability and resilience, name of the game. Sounds like that's continuing, okay, which is good to hear, for sure.

Q

So, let's actually talk about your guidance, for fiscal 2026, one of the things that we got some questions on in the aftermath of the earnings call was, okay, low double-digit constant currency revenue growth, like that looks really solid, maybe even a little bit better than some people thought you might guide to. OpEx growth is being guided at the same level as the top line. So, optically, on the surface, it would look like, okay, maybe margins aren't going to really expand in fiscal 2026. And Visa has never been a company that's managing to an operating margin percentage number. We understand that. But just talk to us about some of the investment priorities underlying that low double-digit OpEx for fiscal 2026, and then just your philosophy about generating positive operating leverage in the business over time more generally.

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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Right. I might even just start with the last question first.

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**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

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Okay. Great.

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

And then I'll come back to it, full circle.

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**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

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Okay. Sure.

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

But if I think about, you mentioned we've never really had an operating margin target, per se. But we have been very focused on two things – many things, but two things in this particular case. One is driving client success and, therefore, top line growth, volume growth, and revenue growth; and two, operating the company in as disciplined and an effective way as possible. And when we do both of those things right, it generally is translated to the industry-leading margin profile that we have today. So I'll start there with sort of an umbrella state, but then we'll sort of come back to it.

It really is one of the most exciting times, I think, in our industry in terms of innovation. The pace of innovation is, if anything, it's speeding up. If you just sort of look and listen and read the headlines around topics like stablecoin and agentic commerce, that's two examples of things that are really happening and exciting the industry. There are more ways to pay and be paid than ever before. And I think we've done a really good job of continuing to make sure Visa remains the best way to pay and be paid. And so, it is, A, an exciting time. It's a very dynamic time in the industry.

Because of all the things I just said, we have more opportunity to invest in our long-term growth than ever before. And given our position of strength, I think it's a great place to go do that, while still continue to do all the things that I talked about, which is drive top-line growth and drive operational efficiency. What are we investing in? Just to give you a flavor, and I'll tie this a little bit back to the very sort of thorough discussion we had in our Investor Day in February, because a lot of this sort of builds on that. And you've seen it now become even more topical.

I just – I mentioned stablecoin and agentic. Those are two areas that we've been very front-footed about our investment. Stablecoin, just a few examples here. We have over now 130 card issuance programs for stablecoin across 40 countries. We're using it for settlement operations. It's now at (sic) [above] a \$2.5 billion annualized run rate, which is a big number, but also a small number relative to our total payments volume. But what's notable is that's 2.5 times bigger than it was just in August. And so, we're seeing sort of this very steep curve of adoption on stablecoin settlement.

We've launched things like the Visa Direct stablecoin prefunded pilot. That's an example where we think there's an interesting product market fit around cross-border money movement. Those are a couple of examples. Agentic commerce, when we announced it was April, the day after our earnings, April 29, in fact, we held an event in San Francisco called the Product Drop, we talked about our vision for agentic commerce. I think we were one of the first to go talk about it before it became sort of the topic of the day. And on that day, we talked about Visa Intelligent Commerce, which is really a set of APIs, along with a marquee set of partners that are really going to enable this. But as you can imagine, this takes real work, and we've been working real hard at it, and investment.

But it's not just these two sort of shiny objects, consumer payments, value-added services, CMS in all those areas. And I'll, again, point you back to Investor Day. We talk about affluent and cross-border priorities. We talk about innovation with things like Flex Credential, how we're going after the very big TAM in CMS and in value-added services across product, execution – sales execution, all of those things, again, requiring investment. So, lots of surface area, lots of interesting things. We're in a great position to go invest after these things. And I think to protect and to grow our long term – to grow our business long term, I think it's the right thing to do.

And then finally, of course, coming back to sort of the running the company in a disciplined way, I get – we totally get that it requires that we continue to be really disciplined, deliver the profit growth that shareholders have come to expect from Visa. And I'm confident we'll be able to do that.

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### Jason Kupferberg

*Analyst, Wells Fargo Securities LLC*



Track record is definitely there. So, let's go back to the Investor Day in February. You guys presented us with a longer-term financial framework, part of which said the value-added services, the VAS business, plus the commercial, money movement business collectively kind of 16% to 18% growth projection there. As best we can tell, in fiscal 2025, you were a bit above that, I think. I'm going to call it 20% plus. My word's not yours. I know you don't explicitly disclose that. But nonetheless, would love to get your perspective on what kind of surprised you to the upside when you reflect on the past fiscal year? And is a 20% kind of neighborhood realistic for VAS plus CMS as we look into fiscal 2026?

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### Christopher Suh

*Chief Financial Officer, Visa, Inc.*



Yeah. Super happy and excited and pleased with what's happening with our two growth pillars, VAS and CMS. Without giving the aggregate number, VAS grew 23% in FY 2025 and CMS grew 15%. In VAS, we do disclose the number. It's now \$10.8 billion in FY 2025, which is about 27% of our business. And so, rapid growth, meaningfully faster than other parts of the business and going really well.

If I really think about, like they're very different businesses, as you know. But they share some common like DNA, elements of like how we're going about driving growth. If you think about structurally big growing addressable markets where we're in a very good position to compete for, and we have relatively small share today, focused on clear product roadmap, strategic prioritization, and – going back to the last conversation, and focused investment

behind it. And so, these aren't necessarily ingredients unique to value-added services. That's like the formula for how you do a business, right?

You go after big growing TAMs, and you do it in a focused way, and you invest behind it. And we're doing that. And so, it's working, as evidenced by the growth that we've seen over the last couple of years. And so, I'm not surprised – you used the word surprised, I'm not surprised by any of that. I'm just glad to see it working. And we're going to continue to invest and really prioritize all the things from product truth to all the way down to sales execution. And I think we've continued to do that, and we're excited. We don't guide specifically on these growth pillars, but the momentum and the execution is clearly quite good, and we'll continue to go after it.

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**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

Q

So, let's drill down on VAS a little bit. You guys did a pretty deep dive at the Investor Day, which I know was definitely appreciated by the investment community. Take us through the major buckets and kind of the relative growth trends, if you would, kind of among them right now. And then I'm going to hit you with a couple of follow-ups after that.

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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Okay. Yeah. Let's start by defining what it is. It's obviously not one thing. It's...

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**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

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Exactly.

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

We categorize it along four portfolios primarily, as I mentioned, \$10.8 billion in FY 2025. In our Investor Day in February, we actually broke out the four portfolios. We gave the revenue size, which I'll repeat, which is from FY 2024. And we also gave like a three-year, 2022 to 2024 CAGR. And so, just to give you a little bit of flavor for what this is, [ph] in 2024 dollars (00:19:12) now. The biggest portfolio is Issuing Solutions, which per its namesake, it's – they're services, product and services toward our issuing clients. That was about \$3.5 billion in FY 2024, growing in the mid-teens over the three-year CAGR.

Secondly, Acceptance Solutions, which again, similar, but on the other side of the aisle for acceptance on the acceptance clients, that's about \$2.5 billion growing in the low-20s, if my memory serves me correctly. Third is Risk & Advisory Services – or sorry, Risk & Security Services (sic) [Solutions] (00:19:50), Advisory is the next one. Risk & Security Services (sic) [Solutions] (00:19:52), that's about \$1.5 billion, and it's growing in the low-20s (sic) [high teens] over that period. And then the fourth one is Advisory & Other, and that's consulting, marketing services, and some other things that go in there. That was \$1.3 billion, growing in the mid-30s, so the fastest – smallest portfolio growing the fastest.

So, you could see it's a breadth of things that go from issuance clients, acceptance clients, clients that span Visa and non-Visa, if you think about what risk solutions are, and then, of course, Advisory & Other. It's a broad business and they're all growing \$1 billion-plus, growing double-digit plus.

**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*



How has your – like your sales and your go-to-market motion behind those various buckets of VAS revenue, how has that evolved? Because I feel like when Ryan became CEO, there was a bit more of a conscious lean-in. And obviously, you came in subsequently, but maybe you can take us behind the scenes on that a little bit and how, on a day-to-day basis, you're really attacking the opportunity.

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*



Sure. I'll characterize it a few ways. We have evolved. If you think about going back predating me, of course, but we went from having kind of one monolithic – at least the way we described, one business, to talking about, there's obviously lots more to it, but really saying, okay, these are some unique growth opportunities that we see along value-added services and around our Commercial & Money Movement Solutions, started by building the organizational design around it, selecting leaders. At that time, it was Antony Cahill, who's now the CEO of Europe, the President of Visa Europe, and today is Andrew Torre, but Antony for value-added services, and Chris Newkirk to run our Commercial & Money Movement Solutions.

They brought the focus, as you can imagine, in terms of strategy and to product – and product and sales. And so, when I talk about sales execution, it really begins with that. Like do you have a clear strategy? Do you know what you're doing and who you're going after and why? And what's your unique value proposition? Then that translates into unique product differentiation. And so, not only have we created these organizations, we've actually dedicated product and tech resources and development cycles to be focused on these individual cycles. And then, of course, now you've armed your go-to-market people, your salespeople, with both a clear strategy, a clear product differentiation, and the things that they can then go do what they do best, which is engaging with clients.

And so, we've evolved the go-to-market side. For value-added services, specifically, at Investor Day, we talked about specialist sales as a place – we have 450 specialists now in the VAS business, and that's an area that has been an area of investment. The second thing I'd point to is also because we're Visa, we have access to rich data. And we use that data to really optimize products and services, understand what our client needs are. We have longstanding client relationships. And so, part of what the salesperson is armed with is the ability to really reason over a very rich set of data and engage our clients in a positive way.

And then, the third thing I'd point to is sales excellence. So, sales plays, compensation, of course, models, this is how the sales organization works. We've incented – we've, in some cases, aligned incentives from the regional leadership to the specialist and, in some cases, have dedicated incentives for our salespeople. And so if you think about, again, product truth, strategy, sales execution, all of that has to kind of work together for us to get to the end result that we have. And of course, the VAS results have been very good if that's the best evidence of that. So...

**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*



Yeah.

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*



...that's where we are in that evolution.

**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

Q

Okay. That's helpful. As we look into 2026, it's going to be a big year for sports fans. We've got the Olympics. We've got FIFA World Cup. And Visa is always part of the sports world.

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

Right.

**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

Q

And I think our impression, and maybe you guys have talked a little bit about this, is it can actually create some VAS revenue opportunity. Can you maybe give us a couple of examples of that? And I mean, does this rise to a level of materiality in the context of your guidance for fiscal 2026?

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

Yeah, we're really excited. As you said, we have a long history, whether it's the Olympics or now, in this case, with FIFA and World Cup, both happening in the same year, the Winter Olympics and World Cup happening. Very exciting year. There's a reason we're in these sponsorships. There's incredible excitement around the world around World Cup. 104 matches, I believe, 16 cities, three countries involved in global fandom, not just in the US. Obviously, this event is happening in North America. And so, there's probably extra excitement this year here locally. But it is truly, truly a global event.

We're not just excited, obviously, fans around the world, but our clients as well. And so, let me talk about how an event like World Cup impacts our business in multiple ways. The one that maybe people are less familiar with, because it's in the VAS business and it's in sort of the Advisory & Other part of the business largely is marketing services. And so, we've built a business where we can leverage the sponsorships that we have, in this case, World Cup, to really work with our partners to create experiences, do many things. We have over 70 clients now engaged with us on marketing services for World Cup and FIFA. We have 100 more in the pipeline.

What do we do? What is marketing services? In this case, I'll give you a couple of examples. We could leverage the FIFA and World Cup brand to co-advertise, advertise with our clients. We could help them issue cards using the FIFA logo. We can create unique experiences at these events that the clients could then even host their own clients. There's an interesting advertising campaign that we've done with a client in – an Italian client of ours. And you can go Google it, it's using complete generative AI. We created an advertising campaign. It was downhill skiing through the streets of Italy, and it turned out great. And so, there's all these things that we could do activating marketing services. That's one.

Two is cross-border travel. Obviously, whenever there's a big event like this that is a draw for a big audience, we do anticipate more travelers coming into the cities from globally, and that helps us, our business, from a cross-border perspective. So, that's certainly another way that we think about the business. And so, it affects our business in multiple ways. We're excited about this. That is embedded into the FY 2026 guide. So as we shared our first guidance on FY 2026, it was for low double-digit growth. In FY 2026, we think the marketing services will be spread throughout the year a bit because clients are activating throughout the course of the year. And of course, the cross-border volume will happen more along June and July, when the – the concentration of when the

matches take place. But exciting year for the business and for FIFA and for World Cup and for Olympics, [ph] excited (00:27:15).

**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

Q

Yeah, for sure. For sure. All right. Last one on VAS, and we're going to jump over to CMS. Just the topic of value-in-kind, I know, has come up a bit more maybe over the past year. And maybe you can just talk us through a general example of how VAS effectively then ties into that client incentive line, just to make sure everyone's clear on the accounting as well as kind of the business strategy behind that.

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

Okay. So value-in-kind, I'll just refer to it as VIK. That's sort of the acronym, VIK. So, what is it? Let me just start back way up, because I think some are familiar with it, some maybe are not. When we structure a deal with one of our commercial clients, there are often incentives involved. And in some of those cases, a portion of those incentives are then structured as VIK, or value-in-kind. So that form – and what VIK is, is effectively a form of a credit, or a voucher, I guess, in some sense, that they can then use on products and services back with Visa. It's good in many ways. It's good for us, it's good for the clients.

For the clients, it is a focused tool that they can use to reinvest in the business, to reinvest in their card business, or whatever business that the client is working to continue to grow, and Visa has a whole host of services that can help them grow. For us, it's a great way to [ph] stay – (00:28:41) it's a very sticky relationship. It deepens the relationship with the client. We know that when they activate and use their VIK, their satisfaction with Visa goes up, and it displaces cash as a form of incentive. So...

**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

Q

True.

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

...it's a sort of win-win on both sides. We can help our clients grow. It can help Visa for all the reasons that I just stated. The second part is then, how does that run through our financial statements? I think that was part of your question.

**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

Q

Yeah.

**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

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So when a contract is designed, and let's say a contract is 5, 7, 10 years, and there's a portion of VIK that's embedded in those terms, and that contract is completed, that will then land in our RPO as disclosed. The contract will also stipulate terms by how they could use that VIK. And so, it might be – let's – it's a five-year deal, let's say they get a certain amount each year, or it may be performance-based, and so you hit certain milestones, you earn a certain amount of VIK. And so as they earn it in either of those two ways, then it moves off into our

balance sheet, and we record an – it moves to our balance sheet as a deferred liability. And then it shows up as an incentive – in our P&L in that quarter or that year as an incentive line item. So, that's how it moves from RPO to the balance sheet, into – not expense, in contra-revenue in this case.

And then thirdly, as the clients then use the VIK on products and services, that would be revenue. And if there's any expense associated with it, it would be an expense in that period. I will maybe make final two points. It is not the majority of our VAS – it is not solely linked to VAS. They could use that VIK for a breadth of services. So, it's not just VAS. And certainly, it's not the majority of our incentives either. It's a small percentage of incentives. It's a small percentage of total VAS. And it's a really great tool that we think has ecosystem benefits for both us and our partners.

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**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

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Yeah, kind of a win-win. Good, good. Let's talk about commercial. So, we thought it was interesting. In the fourth quarter, your commercial volume growth actually accelerated pretty significantly, the year-over-year growth rate. I think it accelerated about 300 basis points to 10%. I think it had been a while since you guys were at double digits. And you had a couple of call-outs. I think there were some new wins ramping, et cetera. But I mean, do you feel like that was an anomaly in any way? Or – I know you don't formally guide on this metric, but do you feel like just on a sustainable basis, maybe the run rate is improving because of certain factors?

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

Yeah. Well, listen, here's how I would think – I'll give a little bit of a big picture comment and then get into the details.

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**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

Q

Okay. Sure.

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

So, we've long articulated that we think commercial, money movement, which really has this commercial volume, that part of the business in Visa Direct, that there's a big opportunity for CMS and why we're so excited about it. We've thrown some very large numbers out there, \$200 trillion of payment volume opportunity, of which we have very small share today. And I talked about all the things that we're doing to invest behind strategy and product and whatnot.

At Investor Day, Chris Newkirk outlined how he's going after this growth in this part of the business, Visa Direct separate, but in the commercial volumes. And it's good to see it working. Like, we've long anticipated that this should be growing faster than our consumer payment volumes in total. And so then going to Q4, yes, it did see, we did see an improvement to 10%, getting to double digits faster than consumer payments volume in the US globally. Good to see. And we did give like reasons for it, that we were lapping some losses as well as some additional wins as well, primarily leading to that, as well as strength in cross-border and some other things that benefited that line.

And so, from quarter to quarter, you may see it bounce around. For things like that, wins and losses do have short-term impacts, but we're really confident that the trajectory and the long-term growth opportunity here is

available for us to continue to execute against. And Chris in the Investor Day went through how we're going after SMB, how we're going after lower mid-market, large and – sort of the LMM space, how we're doing it through innovation like the virtual payables. We had a number of wins we talked about on this last earning – earnings, Trip.com, as an example of this virtual card – a virtual travel card, which was really exciting for us.

And so, there's a lot going on in the business. We're excited about it. We're happy to see it follow through on volumes, and we'll continue to keep you updated.

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**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

Q

Okay. That sounds good. And I do want to finish up on Visa Direct. We have a minute and a half left, and I have two questions. So, let's see if we can get through them both. The first one is just on the Visa Direct transaction growth. It was really robust for collectively FY 25, I think it was up 27%, but Q4 had decelerated a little bit. So, any call outs there or anything we need to be mindful of as we think about trajectory on that metric in fiscal 2026.

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

Okay. Very quickly, if you look over the span of the last couple of years, you see that Visa Direct went from growing healthy to growing really healthy, like 40% plus. And we talked about it at the time. It was the onboarding of a particular client in one of the regions. We're anniversarying that onboarding. I'd say we're still a quarter way to anniversarying the very high growth that we saw, 23% in Q4, as you noted. I think we'll get through that by the time we hit the second half of this year. Still healthy underlying business, for sure.

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**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

Q

And then just on the yields, you talked about at the Investor Day, what, \$0.09 to \$0.10, I think you had said. And just because I know the use cases are evolving, so is that going to have implications for yield?

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

A

\$0.09 to \$0.10. I've got 30 seconds, so let me try to do the fast version. I mean, the way to think about yield is, I mean, yield is obviously very, very important, and we focus on it. But it's a mix equation at the end of the day. And so, yields can be impacted by corridors, cross-border versus domestic. It can be impacted by client-specific factors. If you have one client that's growing faster with a different yield, certainly regions have different outcomes. And so if I zoom out and look at it, I think the yields have been very healthy and stable. It can change because of some of the mix factors, and we see that from quarter to quarter, but I'm actually feeling really good about the overall economics of the Visa Direct business, too. So...

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**Jason Kupferberg**

*Analyst, Wells Fargo Securities LLC*

Great. I feel good about. Yeah, perfect. Well done. Thank you, Chris. Really appreciate it.

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**Christopher Suh**

*Chief Financial Officer, Visa, Inc.*

I appreciate it. Thank you all.

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