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Visa Inc. (V)

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MANAGEMENT DISCUSSION SECTION

Harshita Rawat
Analyst, Bernstein Institutional Services LLC

Good morning, everyone. Welcome to the Second Day of Bernstein's 46th Annual Strategic Decisions Conference. I am Harshita Rawat, the senior analyst covering US Payments. And I'm delighted to be here with me today Ryan McInerney, Visa's CEO.

Ryan McInerney
Chief Executive Officer & Director, Visa Inc.

It's great to be here today. I just heard from Colin, the Head of Research, that this is a record setting Bernstein conference. So, congratulations.

QUESTION AND ANSWER SECTION

Harshita Rawat
Analyst, Bernstein Institutional Services LLC

Q

Thank you. So, Ryan, there is so much to talk about, but let's get the macro out of the way. What are you seeing in terms of current spending trends, both domestically and then cross-border?

Ryan McInerney
Chief Executive Officer & Director, Visa Inc.

A

We're seeing a lot of resilience. We, during our last quarter earnings call, shared the spending trends both domestically, internationally, cross-border, and what the numbers all showed was an enormous amount of resilience, strong consumer spending, broad-based. If you look at the United States discretionary and non-discretionary, both remaining very stable and resilient.

If you look across spending bands from the highest spending bands down to the lowest spending bands, resiliency. Cross-border, a lot of resiliency around the world. So really, a lot of strength. We updated the numbers through I think it was May 14. And what we showed across US domestic spending, across payment transactions, across cross-border was slight improvement (sic) [from April] across the board. And through today, we continue to see that.

So I think there's certainly uncertainty in the world. Consumers are uncertain. Businesses are uncertain. There's certainly a lot of things happening around the world that people are looking at into the future and wondering what's going to happen. But if you actually look at the facts and you look at the data, especially as it relates to our network, there's an enormous amount of resiliency in consumer spending, and that continues today.

Harshita Rawat
Analyst, Bernstein Institutional Services LLC

Q

That's great. So, Ryan, it's been a busy couple of years for Visa. We've had a lot of product and partnership announcements from you over the past year, a lot of growth initiatives around agentic, stablecoins, value-added services, and we'll talk about those. But taking a step back, it does appear that the product velocity at Visa has accelerated. So maybe talk about the changes you have made since becoming CEO at the organizational level which have contributed to that.

Ryan McInerney
Chief Executive Officer & Director, Visa Inc.

A

The product velocity has increased. The product market fit has increased. The adoption of the products that we've shipped has increased. And in large part that is a result of many of the changes that we've made over the last several years. The first set of changes that we made when I took over about three-and-a-half years ago were reorganizing and redesigning how we design, build and ship products at Visa.

A few specific changes that we made. One is, we reoriented all of our product teams to be aligned against consumer payments, against consumer – against money movement and commercial, and against value-added services, and then within our value-added services area, specifically against issuing, acceptance, risk and so on. We built persistent scrum teams aligned against all the opportunities in those specific areas. We rebuilt from the bottom up how our product and engineering teams are incented, compensated, shared OKRs, I mean everything. And we redesigned the entire product development cycle at Visa.

You then jump forward a couple of years and we have had mass adoption among those teams of agentic tools. Our design teams, our product teams, they're using prototyping tools, certainly our engineering teams are using all the available agentic tools to accelerate the velocity and improve the products that they're building and shipping.

And then you look today at Visa and the migration that's happening is the development and the deployment of agents as part of those product development scrum teams. So what's happening is we have more scrum teams because the scrum teams are getting smaller and they're able to use agents on their behalf to design, prototype, build and ship.

And through all of that, one of the other big unlocks that we found is we've done a much more purposeful job of integrating kind of the country managers and their teams into the early product development cycle. And so what's happening is we're shipping product that has much better product fit, that has much bigger adoption at the country level all around the world, because we've taken that voice of our country managers and, ultimately, our clients much earlier into the design, iteration, prototyping and build phase of our product development life-cycle.

So we're very excited about the velocity. We're very excited about the product market fit. And ultimately, to your point, you see it in the results. You see the types of products that we're shipping around the world, like, take the Flex Credential, which we truly believe will be one of the revolutionary innovations in consumer payments. And you're seeing adoption from all different types of products, traditional financial institutions, fintech players, BNPL players, crypto players and the like. And I think that's one just very pragmatic example of that change in the product development approach at Visa.

Harshita Rawat
Analyst, Bernstein Institutional Services LLC
Q

So staying on this topic of innovation, let's talk about agentic. How does agentic commerce expand both your addressable market and the value proposition you bring to your customers with respect to increased digitization, new categories of commerce and growth in B2B, et cetera?

Ryan McInerney
Chief Executive Officer & Director, Visa Inc.
A

Sure. We have deep conviction that agentic commerce is going to be a very important wave of the digitization of commerce around the world, but it's still very early. So – but to answer your question about the TAM and the growth opportunity with agentic, we see a number of incremental growth opportunities that come when we see the rise eventually of agentic commerce.

The first is just more digitization. So we saw this with the rise of e-commerce, we saw this with the rise of mobile commerce and now we will see it with agentic commerce, which is just an acceleration of the shift from the face-to-face commerce environment to digital. That's a benefit for Visa that was in both of those waves, it will be in agentic.

The second is just more transactions. I think there's going to be a lot of incremental transactions that come from agentic commerce. I'll give you a few examples. One is, when we ultimately all have agents going out shopping and then buying on our behalf, they're going to look for opportunities to find the best product, the best value, the best availability, those types of things. And ultimately, that's going to lead to more transactions. What might used to have been four items that I'd buy in one cart from one merchant is more likely to be four separate transactions at four separate merchants, as my agent optimizes on my behalf.

Another example will be machine-to-machine transactions or agent-to-agent transactions. Digital largely very small ticket transactions, where my agent might be buying compute or tokens or images on my behalf. Those are all incremental transactions. Those don't exist today. That's an opportunity for Visa to capture those transactions onto our network. So that's a second area where we're quite excited.

You mentioned in your question a third area that I would note, which is B2B. I think B2B will – as a result of agentic commerce, B2B transactions on the Visa network will increase. B2B transactions have been something we've talked about for a long time, and maybe we'll talk about in your questions today. I think that is one of the most – that specific segment has some of the best product market fit for agentic commerce. I think that's one of the first areas where you're really going to see agent-to-agent commerce provide real value for buyers and sellers.

And then the last thing I would say is, like, I think there's broad-based consensus that you're going to see an increase in GDP from everything happening with agentic, whether that's 0.5 point, 0.75 point, 1.5 point, I think is less relevant. That's going to lead to more consumer spending. That is going to be incremental opportunity and growth for Visa.

Harshita Rawat Q
Analyst, Bernstein Institutional Services LLC

You mentioned e-commerce, and that was fascinating, right? It not only accelerated cash digitization, which helped you, but also helped you gain share from domestic schemes. And contactless was a good analogy also for increase in the number of transactions and what it does to Visa in terms of the growth.

Ryan McInerney A
Chief Executive Officer & Director, Visa Inc.

Sure.

Harshita Rawat Q
Analyst, Bernstein Institutional Services LLC

But you mentioned agent-to-agent transactions, kind of those micro transactions. There is a perception among some investors that stablecoins may be more suited to the money layer of this new Internet as opposed to cards. Tell us why that's not the case.

Ryan McInerney A
Chief Executive Officer & Director, Visa Inc.

Yeah. So we have deep conviction that Visa credentials are by far the best way to pay and be paid in an agentic world. And I would even just ask everyone in the room, just think about themselves as consumers for a moment.

In an agentic world where you're going to send your agent out on your behalf to buy things for you or your family, what are you going to want to use? Are you going to want to use a credential that has broad-based acceptance, that has well-established rules and criteria, that if something goes wrong, you know what's going to happen? You're going to want to use a credential where if you get the wrong item, you know with confidence that you're going to be able to return it and get your money back if you need. If there's fraud, you know that you're covered.

If you – just think about, again, yourself as a consumer and compare that to stablecoins. Stablecoins is an instant, irrevocable transaction. There is not broad-based acceptance. You don't know where you can use it. You don't know what's going to happen if something goes wrong. And I think this is why we have such deep conviction. We showed this in the rise of e-commerce you were mentioning earlier, this became very clear in the rise of mobile commerce, and will become the default way to pay and be paid in an agentic world because it's so well-established.

In addition, you've got 5 billion credentials that exist out in the digital ecosystem, with many more digital Visa tokens that maybe we want to talk about, 200 million-ish merchants that accept these credentials around the world. This ecosystem has been built for agentic commerce. The Visa platform is purpose-built in many ways for the rise of what's going to happen in terms of agentic commerce.

Harshita Rawat
Analyst, Bernstein Institutional Services LLC

Q

And as we saw in the early days of e-commerce, fraud was a huge problem. And when trust becomes so important, I think that's where Visa delivers a value proposition more strongly. I want to follow up on micro-payments specifically, Ryan. What role can Visa play in this kind of agent-to-agent micro-payments space?

Ryan McInerney
Chief Executive Officer & Director, Visa Inc.

A

Yeah, great.

Harshita Rawat
Analyst, Bernstein Institutional Services LLC

Q

And for the audience, maybe, can you explain...

Ryan McInerney
Chief Executive Officer & Director, Visa Inc.

A

Explain it.

Harshita Rawat
Analyst, Bernstein Institutional Services LLC

Q

Yes.

Ryan McInerney
Chief Executive Officer & Director, Visa Inc.

A

Before I comment on micro transactions, I want to go back and just comment on the word that you used, trust. So there's a lot of conversation in the world right now about the limiting factor for the rise of AI, and it's largely compute and energy. The limiting factor, in my opinion, for the rise of agentic commerce is exactly what you said, trust. And that is what Visa brings to that ecosystem. That is the summation of all those components that I was mentioning earlier is trust. And I think when you look at the Visa brand and what it means both to buyers and sellers, there's inherent trust in that brand that's going to give users confidence to use Visa credentials in an agentic world.

Okay, micro-transactions. So what we're seeing is with the rise of these developer tools, think Claude Code, for example, which I'm sure all of your audience is quite familiar with and has likely used or is using. We're seeing the ability for essentially everyone, for all of us, to become developers. The tools are that easy. They are getting that simple that everyone, all of us in this room and on the phone, our children, our spouses, we all are going to become developers. And with the rise and availability of these tools, we're all going to be building. And when we build, we're going to need to buy.

So what you're going to see is the command-line interface, the CLI, which is what you interface with when you're on Claude Code or one of these other tools, essentially is going to become a commerce platform. All of the users around the world that become developers are going to use the CLI as a commerce platform and have their agent go out and buy compute or tokens in some of the things that I was describing earlier.

So let me give you an example. Let's say you go on to Claude Code and you want to go build a website or an app. You're going to need to go buy compute. You're going to maybe need to go buy a URL. You're going to need to go buy maybe some imagery. You want to go buy some stock images to kind of whatever you want to do on your app or your website. You're going to need to go interact with APIs of services to go buy those different things, whether it's compute or tokens or images or what have you.

And what we're doing is we're building the ability for you to load your Visa card into that interface and just have your agent go buy whatever it is you need to go build and then ultimately launch your app. Now those transactions are going to be very small transactions. But what we've shown over time is that we can adjust our pricing, we can adjust our commercial model to make sure that our credentials are the best way to pay and be paid for those small transactions. We've done that with transit. We've done that with vending. We've done that with lots of different services around the world.

I mean, if you think back maybe 5 years ago or 10 years ago, who would have thought we'd all just be tapping our Visa cards to go buy a Coke at a vending machine. Well, that transaction is too small. That couldn't be possible. But we're able to easily adjust all of those commercial elements to make that happen. And so, that gives you a sense of what we see happening with agent-to-agent transactions.

And the way I think about it is every API is going to become a point of sale. And your agent is going to be able to go interact with all of those APIs and buy whatever services you need to get done whatever you can dream up and build through the command-line interface.

Harshita Rawat
Analyst, Bernstein Institutional Services LLC
Q

So, yes, so you can adjust your pricing model, you can batch settle transactions. And then at the same time, you're giving these agents these trusted credentials and kind of you're verifying the agents, right? Like, all of the trust also becomes a big part [indiscernible] (00:15:21).

Ryan McInerney
Chief Executive Officer & Director, Visa Inc.
A

The trust, the scale, the availability, the credentials. And then ultimately, I come back just like in the agentic commerce use cases, users, human beings, all of us are the ones that are going to decide how our agents go pay. And for the same reasons that we all prefer to use Visa credentials in the physical world, in the e-comm world, in the mobile world, we're going to prefer our agents to use those credentials in the agentic world.

Harshita Rawat
Analyst, Bernstein Institutional Services LLC
Q

Ryan, I want to switch gears and talk about stablecoins.

Ryan McInerney
Chief Executive Officer & Director, Visa Inc.

A

Okay.

Harshita Rawat
Analyst, Bernstein Institutional Services LLC

Q

So you have a thriving stablecoin-linked card business. You now also participate in some of the new emerging blockchains for payments. I know you've talked about the services opportunity with respect to stablecoins. Clearly, you view stablecoins as an opportunity for Visa. What do you think is misunderstood by some with regards to Visa and stablecoins?

Ryan McInerney
Chief Executive Officer & Director, Visa Inc.

A

We view stablecoins as a significant opportunity. I think it's not surprising there's some misunderstanding because this is all early and it's moving fast. So let me step back and give a few very pragmatic examples of how we are embracing stablecoins and stablecoins are an opportunity for Visa.

The first is, one of the areas where there's product market fit for stablecoins is consumers in countries around the world where they have a strong preference to hold US dollar-denominated accounts. Think Argentina as an example. If you live in Buenos Aires, for generations, your family has wanted to have accounts in US dollars, but they've either been too expensive or unavailable to you. Now with stablecoins, you have easy, frictionless access to hold your savings in US dollar-denominated stablecoins, whether it's USDC or USDT or what have you. That's happening in countries all around the world.

What we've done is we've issued Visa cards on top of those stablecoins. So if you're an employee at Visa in Buenos Aires, you get paid twice a month in Argentinian pesos. You can now easily move that money into USDC, for example, in your favorite fintech wallet, and you are issued a Visa card on top of those stablecoins. And you go live your life just as if you were paying in Argentinian pesos. You can go to the grocery store. You can go to the restaurant. You can go buy petrol for your car. That has had great product market fit. I think we've got 150, 160 programs around the world. It's growing very, very quickly. The user experience is very strong. That's an example of a real opportunity for stablecoins.

Another example for stablecoins is where there's product market fit in B2B cross-border. And here, we are using stablecoins ourselves. We settle about $13 trillion a year on our own network. Essentially every day, one of the things Visa does is we stop and we look around the world and we figure out who owes who money across the 14,500 financial institutions on our network. Historically, we settle that in fiat. We do it Monday through Friday, and we do it once a day.

But now we're using stablecoins to offer settlement seven days a week, multiple times a day, across border, around the world. It's still relatively small single-digit billions of dollars, but it's growing very, very fast. And it offers a lot of benefits to our user base, to our financial institutions. They might have had to hold a collateral for a long weekend when we couldn't settle. Now they don't need to hold that collateral. If you're an acquirer, you're able to pay your merchants more quickly. So those just give you a couple examples.

I guess, the last thing I would mention, you alluded to this in your question, we're also playing a leadership role on a lot of the emerging payment-specific purpose-built blockchains, whether that be Tempo or Canton or others. And they are looking for us to play an important role because of the leadership, the experience and the value that we bring to those blockchains. And I think you'll see some important innovations coming out of our product road map built on those blockchains.

Harshita Rawat
Analyst, Bernstein Institutional Services LLC

Q

It's so fascinating that one of the best product market fits for stablecoins in consumer payments is a Visa card.

Ryan McInerney
Chief Executive Officer & Director, Visa Inc.

A

Exactly. Maybe to be honest, maybe at this point, the single best product market fit, except for crypto trading. The one thing you can really point to all around the world that has actually impacted people's lives is stablecoin-linked Visa cards.

Harshita Rawat
Analyst, Bernstein Institutional Services LLC

Q

So, Ryan, taking a step back, the cost of acceptance of cards comes up quite often in discussions. And most of those comparisons are often not apples-to-apples. People often compare credit cards to kind of debit-like products. Debit cards are already quite cheap and credit cards offer a lot of value to the consumers. Maybe talk about the value the cards bring versus just the settlement [ph] rail (00:20:31) and the flexibility you have on pricing constructs in that whole cost of acceptance debate.

Ryan McInerney
Chief Executive Officer & Director, Visa Inc.

A

Yeah. Sure. Cost of acceptance is a nuanced topic for a number of reasons, some of which you mentioned. The first is it's very different in different parts of the world. I think the analogy you were giving there was probably focused on the US. But if you go outside the US, credit cards are actually much cheaper in some parts of the world. And so it's just different in different parts of the world. Let me talk about the US because I think that's where a lot of the questions come.

First, credit and debit, very different. As you mentioned, debit, relatively inexpensive, certainly relative to the value that's provided. And most of the relative use cases that people talk about when they talk about stablecoins is really in the debit space because that is money that's available and money that you pay now versus pay later, which you do on a credit card.

In the credit space, I think one of the things people forget is that Americans are carrying around Visa credentials in their pocket, purse, and phones that represent more than $3 trillion of purchasing power. That is a gigantic amount of horsepower for spending, for sales, for merchants, and ultimately for the US economy. And the opportunity to spend that is what is a big amount of fuel for the US economy. And that is the price to value that you were mentioning when it comes to credit costs.

The second thing that happens is many Visa users, most Visa users earn rewards when they use their credit cards to spend. And that is why they have a preference, as I was mentioning earlier, to use those credit cards in the physical world. They have a preference to use those cards in the digital world. And they will have a preference to use those cards and have their agents use those cards in an agentic world.

And then getting to the latter part of your question, as I alluded to earlier, what we've shown historically is we have a lot of flexibility to optimize and change and customize our pricing to fit different use cases to ensure that we're delivering real value and, ultimately, product market fit for these credit cards in different use cases.

I'll give you one example since we're here in New York. Most people in the audience have probably tapped their Visa card to ride the subway. That's a good example of where we had to customize our commercial model, customize our pricing to make it easy for New Yorkers to simply tap their Visa credit card to get through the turnstile. And there's many other examples like that and there will be in an agentic world going forward.

Harshita Rawat
Analyst, Bernstein Institutional Services LLC

Q

Once you tap, you never go back. So, Ryan, I want to switch gears and go back to the Investor Day and revisit the Visa as a Service construct. Can you walk us through the layers of your stack and how they allow you to use your different components of Visa's platform to create solutions for clients?

Ryan McInerney
Chief Executive Officer & Director, Visa Inc.

A

Sure. Maybe I'll start by just explaining the value-added services businesses that we have and then put those in the context of the stack. So we – and maybe I'll start by just explaining the journey that we've been on with Visa over several years. We – if you put this in context, we have evolved our business in many ways to enable our users to use Visa credentials in lots of different use cases. But enabling those payment use cases is hard. It's hard for issuers. It's hard for fintechs. It's hard for a lot of the ecosystem players.

And so what we've done over time is build a set of value-added services for issuers, for acquirers and merchants to enable them to deliver those use cases for users. And so we've built a set of different services and a set of different solutions that our users can consume to help them issue new cards to reduce fraud, to protect them from cyber, to enable an omni-channel point of sale for a merchant, those types of things.

So going back now to your question, what we've done is we've delivered all of that through what we call the Visa as a Service stack. And at the foundational level of our stack is our network of networks, VisaNet which is our network that we have processed transactions on for many decades, but also the network of networks that we've built with 14 billion endpoints around the world as we've connected our network to all available networks around the world.

And then on top of that, we, over time, have componentized all the services, a few of which I mentioned earlier, into module consumable APIs that any of our partners can consume from us in a single API integration. The third level of our stack is where we take those module services, and we've combined those into solutions, into products, into custom-built services that our partners can consume, if they don't want to consume all the modularized services themselves.

And then finally, at the top of our stack, we've made it very easy for anyone around the world to access all of that, the access layer of our stack. So whether you're a large sophisticated financial institution or whether you're a developer in Nigeria, you are able to access Visa essentially as a hyperscaler. We are the largest hyperscaler of payments and money movements around the world. Developers, fintechs, big techs, financial institutions, they're building on our platform. They're accessing those services and solutions through our Visa as a Service stack, so that they can simply and easily issue new credentials, manage those credentials, provide fraud protection services, loyalty services, card benefits, tokenization.

And by building on that stack, they get access to close to 200 million merchant acceptance points around the world, 5-plus billion Visa credentials around the world, all of the Visa tokens that are embedded in the ecosystem and the like. They get immediate access to scale. The largest network for payments and money movement around the world that they can get by accessing the Visa as a Service stack.

Harshita Rawat
Analyst, Bernstein Institutional Services LLC

Q

So, Ryan, we were talking about this earlier. Arguably for investors, historically, it was just easier to forecast Visa's revenue growth. All you needed was a card penetration number globally and you can get a very nice revenue growth for Visa. Fast forward to now, the revenue growth you're delivering is at an accelerated pace versus historical levels, in part because of the value-added services successes. The complication for investors is that it's harder to create a model out of VAS and forecast it. So maybe help us understand what is driving the growth of your VAS businesses and, more importantly, what drives your conviction in the opportunity you see.

Ryan McInerney
Chief Executive Officer & Director, Visa Inc.

A

Great. Harder to model, but a bigger opportunity, a much bigger opportunity. But let me do my best to explain that. So as I mentioned, the origins of our value-added services business are in service of our clients. Helping our clients, issuers, acquirers, merchants, grow and thrive in an increasingly complicated commerce environment is what led us to build and ultimately grow and scale these businesses.

We have four value-added services businesses. The first is our issuing business, so where we build, design and ship products and services to help issuers issue credentials, manage credentials for their end users. Those issuers could be large financial institutions, of which we serve most around the world, as well as fintechs and other players that are issuing credentials. That's the first area.

What's an example in that business? We have issuer processing services. For example, in the US, we have our DPS business where we provide issuer processing services for debit credentials. A few years ago, we bought a company called Pismo, which is a cloud-native issuer processor that provides issuer processing services for credit, debit, prepaid, commercial. They also provide core bank ledger services, which is essentially the operating system for banks.

We deploy Pismo all around the world in service of our issuers to make it easier for them to issue credentials or run their bank. For example, we announced last quarter that Wells Fargo has chosen Pismo to be the operating system for their retail bank, one of the largest, most sophisticated retail banks on the planet. But Pismo also is the provider of choice for fintechs that are growing and issuing credentials all around the world. So that's the first of the pillars of our value-added services business. And again, the origin is providing services that can help our clients do a better job issuing Visa credentials around the world. That's one.

The second is our acceptance business. If you are a seller around the world or, importantly, if you are an acquirer around the world, keeping up with the innovation arms race to provide omni-channel services that can compete with the best acquirers on the planet is a very hard task. In our acceptance business, we have a platform called CyberSource. That is exactly what CyberSource does.

Using acquirers, as an example, we provide white-label services to acquirers in countries all around the world. So we take the technology development road map off of their shoulders and we provide it to them. It shows up in the market, not necessarily under the Visa brand, shows up under the acquirers' brand, but they're paying us for those services, and we're providing them that technology road map.

The third is risk and security. And this may be the most needed set of value-added services in today's environment, where we provide both to issuers and acquirers and all ecosystem participants, scoring algorithms, platforms to help them manage fraud, security, cyber, all of the things that are risks in this environment.

An example there that I would point to is our Visa Advanced Authorization score. When you go tap your Visa card at a retailer, it's likely being scored in real time, I think up to 400 different data elements to determine if that is you and if it's ultimately a purchase that you intended to make. That's even harder to do in an e-commerce environment or, as we talked about earlier, in an agentic environment. That platform has become an essential tool for so many ecosystem participants around the world to make sure that they're reducing fraud and increasing sales.

And then finally, we have an advisory business. where we provide services that range from data and analytics services to marketing services, to even strategy and advice services to our clients to help them navigate this complex world or provide marketing using our sponsorships like FIFA and the Olympics that are unique and bespoke to them that only Visa can provide.

All four of those businesses have enormous TAMs. In all four of those businesses, we are competing against legacy players in those industry segments that don't have the sophistication that we do. In all four of those areas, we have a unique ability and competitive advantage to win because the buyer that we are selling to is a long-term Visa partner, a partner that we have been embedded with for decades, a partner that we are arguably their most trusted partner, a partner where we have existing commercial arrangements that have long been approved by all the buyers in that organization. So that's a very important right that we have to win.

And we're building – and we're shipping organic product in each of those verticals. And we're buying companies that we're able to then put into our distribution network. Companies like Pismo, as I mentioned, or Featurespace that we recently acquired that we're able to distribute through our salespeople in 200 countries and territories around the world. That is why we've built these businesses. That is what the businesses are. But importantly, that's why we're seeing so much product market fit, and that's why the businesses are growing so well.

These businesses now represent close to a third of Visa's revenue. These businesses have been consistently growing at more than 20% year-over-year for years, I think 28% (sic) [27%] in the most recent quarter. And we have only scratched the surface of the available TAM and the available opportunity in each of those verticals at our clients.

Harshita Rawat
Analyst, Bernstein Institutional Services LLC

Q

There's so much to talk about there, but we need to get to so many other topics, Ryan. So, tokens, let's talk about them. You now have 17.5 billion-plus tokens globally, which have grown from 2 billion five years ago. Tell us about what tokens do for you with respect to enhancing the network and also your opportunity to deliver more value-added services. And in what ways are agentic tokens kind of different?

Ryan McInerney
Chief Executive Officer & Director, Visa Inc.

A

So if you look at the scaling of tokens over the last several years, it's a great example of the ability of Visa to scale something broadly around the world. And to answer your question, the value that tokens play at the highest level is two things: first, a much, much better digital transaction platform. So one of the reasons that we've seen tokens scale so broadly is they're just a much better way to engage a digital transaction than a traditional 16-digit number on your credit card or debit card.

We see broadly sales go up for merchants and fraud come down. Authorization rates go up on average about 5 percentage points. That's enormous for a seller. I mean, that is enormous for a seller. And fraud comes down about 25% up to a third. So you've got lower fraud, higher sales, which is why we've now seen tokens scale to be about 50% of all Visa e-commerce transactions around the world.

But these tokens also represent an embedded, broadly distributed innovation distribution platform. We have these digital capabilities now embedded in the point of sale at billions of points of sale and enabled merchants around the world for users around the world that allow us to now distribute value-added services through this distributed and embedded innovation distribution platform. And that is a huge opportunity for us.

And we've shown the ability to give sellers the option to turn on different services, almost like light switches, on the embedded tokens in their companies to help them with all different types of things to provide a better user experience, a better omni-channel commerce experience. So we are very excited about the distributed platform that we've built. We're very excited about how many of these tokens exist.

But going back to the earlier discussion, this is one of our biggest advantages to truly enable agentic commerce. All of the distributed tokens that you mentioned, the 17.5 billion Visa tokens that are enabled throughout the ecosystem, this is what's going to enable agents to be able to buy on your behalf in a simple, distributed, at-scale, trusted way that is going to, I think, be the platform of choice for agentic commerce.

Harshita Rawat Q

Analyst, Bernstein Institutional Services LLC

Ryan, I want to switch gears and talk about commercial and money movement business. Looks like the revenue growth has accelerated here in part by some of the mix dynamics. I know you talked about cross-border growing faster within commercial. There is then the opportunity within B2B that you alluded to earlier. What drives the inflection in the CMS growth opportunity for you from here?

Ryan McInerney A

Chief Executive Officer & Director, Visa Inc.

Well, we're executing the strategy that we shared with our investors at Investor Day. We did the work. We identified the opportunities. We put in place the strategy. We shared it with our investors, and we've been executing it. And I feel great about the execution and, ultimately, the results that we're starting to see.

Our commercial business is roughly a $2 trillion business that grew at about 11% year-over-year in the last quarter. We have seen growth both domestically, but especially cross-border. The percentage of commercial in terms of our overall cross-border is as high as it's ever been. And all three of the areas of opportunity that we identified, we're making real progress.

One, we have been focused on converting consumers who are using consumer Visa cards into small business cards. Sounds very simple, very significant impact. When you get a small business owner who is currently in a consumer card and we upgrade them into a small business card, all sorts of good things happen. They have more credit line. They have more ability to spend. They have better rewards. And we've shared a lot of the recent wins that we've had in that space in the small business space, and you're seeing that in the results.

The second thing we focused on is commercial issuance, virtual card issuance. And that we've started to have a lot of wins. I talked in the last quarter about the win we had with Trip.com is one example. And you're seeing that in the results, especially in the growth in cross-border commercial.

And then finally, we're seeing a lot of uptake in product innovations and network flexibility. One example of network flexibility is helping us grow acceptance for commercial cards, which is a program we call Visa Commercial Choice. So we talked about the flexibility in our commercial – our pricing model earlier. This is another example.

So essentially, what we did in this space is we gave buyers and sellers in the commercial space to negotiate a price point that worked for them, so that they could accept and use Visa credentials to pay for things in the commercial space. And that has unlocked a lot of acceptance and volume growth for us.

So it's as simple as a good strategy, great execution. We're starting to see the results, but we're still very early. There remains an enormous opportunity, and we look forward to continuing to grow that business.

Harshita Rawat
Analyst, Bernstein Institutional Services LLC

Q

Great. Ryan, let's talk more about the core of Visa, consumer payments. You have historically grown several percentage points faster than the addressable consumer spend. I know in some markets, for example, the US, that delta relative to personal consumption expenditure has narrowed. Can you expand upon this? And how do you see Visa's consumer volume growth prospects relative to addressable spend growth?

Ryan McInerney
Chief Executive Officer & Director, Visa Inc.

A

Yeah. We still see enormous opportunity, enormous runway with consumer payments. It's a roughly $20 trillion TAM for our business. A little more than half of that, about $11 trillion, is cash and check. A little less than half of that is all the other ways that consumers are paying around the world that's an opportunity for Visa. That might be domestic schemes, that could be ACH, account-to-account, those types of things. So an enormous TAM. And what we've shown is that we're able to put products, services and innovations in market that ultimately drive our users to prefer Visa and drive growth that is faster than the underlying overall consumer spend.

One of the things we shared with investors at Investor Day was that even in countries around the world where there's essentially no cash, we've gotten down to essentially zero cash, countries like Canada, South Korea, Norway, New Zealand, we shared others, we showed that even in those markets, we have consistently grown and recently grown Visa payment volume faster than the underlying consumer payments growth. And the reason is because of all those other ways, people continue to pay even above and beyond cash and check. Domestic schemes are a great example.

When we compete in e-commerce, in mobile commerce, ultimately in agentic commerce, we simply have more innovations, more capabilities than our domestic competitors have. So, ultimately, Visa users choose to shift payment volume to Visa credentials, which then drives our spend faster than the underlying opportunity.

So given all of that, given our track record, given our product pipeline, given the $20 trillion opportunity that I mentioned, we have conviction that we'll be able to continue to grow the consumer payments business for quite a long time.

Harshita Rawat
Analyst, Bernstein Institutional Services LLC
Q

And I want to follow up on some of your comments and ask about Europe specifically. I know after the Visa Europe acquisition, things changed quite a lot for you in continental Europe, and that region offers opportunity not just for cash but also gains from domestic schemes, which you've been gaining share from. But more recently, there have also been some nationalism concerns. So maybe just talk about Europe as a secular growth opportunity.

Ryan McInerney
Chief Executive Officer & Director, Visa Inc.
A

Sure. Europe has been a great engine of growth for us. As you said, we're winning share in Europe. And Europe will continue to be a significant opportunity for Visa. Over the last five or six years ago, we have invested significantly in Europe. We've doubled the number of people. We've added 50% more offices. We've strengthened our client relationships. We've brought new products to market, all of which has led to the momentum, the growth, the share shift and winning in Visa. And as we look out on the opportunity in Europe, it remains significant, still enormous amounts of cash in Europe. I think it's more than $2 trillion annually still spent in cash. Domestic schemes still have, as you said, a lot of share, which we view as a lot of opportunity in Europe.

And just yesterday, in Europe, we announced a significant increase going forward in our investments in Europe. We announced a €500 million incremental investment in Europe in the next 10 years. We announced a new innovation hub in Europe. We announced a new Cyber Fusion Center in Europe. We announced we're building an additional data center in Europe. We announced we're building a new product and innovation hub in Europe. And so that reflects – those innovations reflect our commitment to Europe. They reflect the opportunity in Europe. And they reflect our continued excitement to deploy more products and services and innovations in Europe.

As you said, there has been historically, actually for decades, and there is now a focus among Europeans, clients, regulators, elected officials and everyone, on the importance of payments as it relates to how payments fuel the European economy. That's been true for the last several years that we've had the success we've had. That's been true for the last several decades in Europe, and it's certainly true now, and it's understandable. I think it's understandable, not just in Europe, but around the world. But I think what Europeans are seeing is our dedication to Europe, our focus, our investment and ultimately, the safety, security, reliability and scale that Visa provides to buyers and sellers in Europe.

Harshita Rawat
Analyst, Bernstein Institutional Services LLC
Q

Ryan, we only have a couple of minutes left. So my last question for you, we talked about a number of growth opportunities and accelerated product velocity at Visa. What is your vision regarding how Visa as a business will evolve five years from now?

Ryan McInerney
Chief Executive Officer & Director, Visa Inc.
A

Well, first of all, it all starts with our clients. We wake up every day thinking about doing everything we can in service of our clients, and then everything works backwards from that. But if you're asking about what is the impact on the business, I think you're going to see continued growth in consumer payments, given all the opportunities that I mentioned around the world. You're going to see accelerated growth from agentic commerce for the reasons that we discussed. You're going to see an increased diversification of Visa's business, diversification of clients, diversification of revenue sources, diversification of geographies around the world. And importantly, you're going to see continued growth in value-added services, given the importance to our clients and given the enormous amount of products and services and innovation that we're shipping across all of those pillars that I described.

Harshita Rawat

Analyst, Bernstein Institutional Services LLC

Fantastic. Ryan, thank you so much for joining us today.

Ryan McInerney

Chief Executive Officer & Director, Visa Inc.

This has been fun. Thanks for having me. I appreciate it.