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Visa, Inc. (V)

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MANAGEMENT DISCUSSION SECTION

Operator: Welcome to Visa's fiscal fourth quarter and full year's 2020 earnings conference call. All participants are in a listen-only mode until the question-and-answer session. Today's conference is being recorded. If you have any objections, you may disconnect at this time.

I would now like to turn the conference over to your host, Mr. Mike Milotich, Senior Vice President of Investor Relations. Mr. Milotich, you may now begin.

Mike Milotich
Senior Vice President-Investor Relations, Visa, Inc.

Thank you, Jordan. Good afternoon, everyone, and welcome to Visa's fiscal fourth quarter and full year 2020 earnings call. Joining us today are Al Kelly, Visa's Chairman and Chief Executive Officer, and Vasant Prabhu, Visa's Vice Chairman and Chief Financial Officer. This call is being webcast on the Investor Relations section of our website at www.investor.visa.com. A replay will be archived on our site for 30 days. A slide deck containing financial and statistical highlights has been posted on our IR website.

Let me also remind you that this presentation includes forward-looking statements. These statements are not guarantees of future performance, and our actual results could differ materially as the result of many factors. Additional information concerning those factors is available on our most recent reports of Forms 10-K and 10-Q, which you can find on the SEC's website and the Investor Relations section of our website. For historical non-

GAAP financial information disclosed in this call, the related GAAP measures and reconciliation are available in today's earnings release.

And with that, let me turn the call over to Al.

Alfred F. Kelly

Chairman & Chief Executive Officer, Visa, Inc.

Hey, Mike. Thank you and good afternoon, everyone, and thank you for joining us today.

Our fiscal 2020 started off very strong, and as COVID-19 spread across the globe, certainly our business was impacted. As a result, we were quite thoughtful during the year, adjusting our expenses, yet we continued to invest in key initiatives to support and fuel growth.

Let me share a few highlights from fiscal 2020 that illustrate our continued momentum. Over 185 billion payment transactions and almost $9 trillion of payment volume were made on Visa credentials. Acceptance points grew 16% to nearly 70 million merchant locations, and that only counts our partners like PayPal, Square, and Stripe as one each. Contactless penetration grew to 43% of all face-to-face transactions around the world, 65% excluding the United States. US tap-to-pay cards reached 255 million, and globally there were 23 countries that increased their penetration by 25 points or more over fiscal 2019.

We expanded wallet partnerships, which now represent over 2 billion in potential credentials and nearly 70 million additional potential acceptance locations. Globally, the number of active credentials in e-commerce excluding travel rose 14% since January, reinforcing the continued shift by consumers to online shopping. We renewed about 25% of our payments volume in fiscal 2020 with key clients and secured several new wins. Over 50% of Visa volume has now been renewed over the last two years.

We expanded tokenization globally, crossing the 1.4 billion tokens milestone and enabling over 8,300 issuers across 192 markets. Visa Direct grew to nearly 3.5 billion transactions, utilizing 16 card-based networks, 65 domestic ACH schemes, seven RTP schemes, and five payment gateways. More than 5,000 client users accessed over 450,000 reports on our Visa Analytics platform, a powerful application suite that delivers data-driven insights and industry benchmarks. And finally, several large acquirers leveraged CyberSource's robust omni-commerce payment offerings to support their merchant customers with innovative capabilities.

With that backdrop, today I'd like to first discuss our results. Then I'll highlight some key client wins in the quarter and client momentum from recent deals contributing to our current performance across our three growth levers, consumer payments, new flows, and value-added services. Lastly, I'll provide very brief initial thoughts on 2021.

To start, our fourth quarter results, while the underlying business was in various stages of recovery, we saw the acceleration of cash digitization through debit, e-commerce, and tap-to-pay and the penetration of new flows through Visa Direct. We also advanced our value-added services, led by CyberSource, security and identity products, and our consulting. Payments volume, processed transactions, and cross-border volumes all showed positive momentum exiting the quarter. From Q3 to Q4, payments volume improved 14 points. Processed transactions improved 16 points, and cross-border volume improved 5 points (sic) [6 points].

Net revenues in fiscal fourth quarter were $5.1 billion, a decrease of 17% in constant dollars. The decrease in net revenue was approximately 11%, however, with service revenues recognized on a current quarter payments volume basis. Non-GAAP EPS was $1.12, a decrease of 23%. Given our strong ability to generate cash flow, we returned $2.3 billion of capital to shareholders in the fourth quarter.

Now looking ahead, our strategic focus in 2021 remains the same, accelerating our growth through consumer payments, new flows, and value-added services, all while fortifying the key foundations of our business model, our brand, security, technology, and talent. In Consumer Payments, we have had success with traditional financial institutions, wallets, and FinTechs as well as merchants.

First, let me hone in on Europe, which has definitely been a key focus for us since the acquisition just over four years ago. Our first Visa client in Europe from 1974, Cornèr Banca in Switzerland, renewed their credit relationship and expanded into debit for the first time ever. In Denmark, Jyske Bank will migrate over 200,000 debit cards from a local card scheme to Visa in order to access Visa's risk, data, and other value-added services. Last quarter I spoke about our win of the UBS debit business, and this quarter we also renewed the credit business as well.

In the wallet space, Samsung Pay will put virtual Visa debit cards in all Samsung devices in Germany. For those issuers in Europe who want to offer a wallet solution to their customers without developing it themselves, we recently signed an agreement with a digital wallet company called Vipps. And wrapping up Europe with FinTech progress, let me highlight global FinTech Revolut, who chose us late last year to be their lead issuing partner. In 12 months, Revolut has issued nearly 7 million Visa credentials in over 34 markets, with plans to expand more in the coming year.

Let me now move to success with traditional FIs in other parts of the world. ING, one of the largest banks in Europe, recently expanded their long-term global partnership with Visa for their consumer and commercial cards in 12 countries across Europe, CEMEA, and Asia-Pacific. In Asia-Pacific, we renewed with one of the top five banks in China, Bank of Communications, and we strengthened our strategic partnership with Malaysia-based AmBank, who will now become an exclusive Visa credit card issuer.

In the United States, we recently won the inaugural debit card for Markets by Goldman Sachs's digital checking account. With millions of customers, Markets continues to create new products, create a full-service digital bank. And we're excited about the opportunity to help make checking with debit card functionality an attractive part of their growing product set.

Also in the United States, we announced in the first quarter that we have secured the Venmo credit card, and are pleased that it has started to roll out, unlocking new ways for Venmo's community of more than 60 million users to shop, share, and split purchases and earn custom automatic cash back everywhere Visa is accepted.

Shopee, the leading e-commerce platform with a large user base in Southeast Asia and Taiwan, is launching a Visa co-branded card across five Southeast Asian markets. And our traditional wins in the fourth quarter cap a successful year of renewals that went into effect with key partners, including Bank of America, Capital One, Barclays, Santander, Caixa, and Al Rajhi.

Now let me turn to expanding access with digital wallets and FinTechs, which are critical to growing credentials and acceptance globally. In the last 90 days, we signed multiple deals with digital wallets, including Yandex in Russia, Wing in Cambodia, PayCo in Korea, [ph] Norada-X (00:09:35) in Argentina, and Easypaisa in Pakistan. These wallets represent tens of millions of potential credentials.

Our existing wallet relationships have continued to grow this year. Rappi, Latin America's SuperApp with over 30 million users, is now expanding into financial services with its new division, Rappi Bank, and it has chosen Visa as their exclusive network and payments provider. Rappi will leverage their deep knowledge in their existing nine markets to create new payment solutions that drive digital inclusion and cash digitization, not just for their users but also their couriers, restaurant partners, and small businesses.

In Asia-Pacific, in the last year, LINE Pay added 1 million credentials and now has approximately 3.5 million total Visa credentials across Taiwan and Japan. Our partnership with Paytm in India spans both acquiring and issuing, and this year the relationship resulted in approximately 80,000 incremental acceptance points and 1.4 million incremental credentials.

We also see cash digitization opportunities with merchants providing payment services to their customers, two to highlight from this quarter, and they're both from Latin America. We're extending our partnership with OXXO, the leading convenience chain with nearly 20,000 stores in Latin America, as they establish a new FinTech arm. This business will exclusively issue Visa credentials in the OXXO wallet and through their stores to further their reach of the under and unbanked.

Visa also partnered with Natura & Company, the fourth largest beauty group in the world, to enable financial and digital inclusion. Through our financial services platform, their nearly 4 million direct selling consultants and representatives in the region will be able to access a digital account, a Visa credential and [ph] an Mpass (00:11:31), among other services.

This progress in consumer payments is also prevalent in new flows, as the pandemic is accelerating the migration to digital payments. Governments, merchants, and consumers all seek fast, safe, and secure ways to move money.

Let's look at a few new flows. Cross-border P2P is a Visa Direct use case with significant potential, and we made meaningful progress this quarter. Ozon in Turkey plans to launch a global mobile remittance service in early 2021 for the underbanked and gig economy workers, representing over a quarter of Turkey's 83 million population.

In Russia, VTB Bank, the second largest bank in Russia with 15 million customers, is utilizing Visa Direct for card-to-card transfers across 64 countries. Additionally in Russia, KoronaPay, a leading remittance system, will leverage Visa Direct for cross-border money movement. And TD Bank in Canada is offering their retail customers a mobile platform for P2P with cross-border capability.

Earned wage access and payroll are other use cases that are growing in importance throughout the pandemic. This quarter, Wagestream, the market-leading earned wage access provider in Europe, signed on to Visa Direct.

Also in the two months since earned wage access US provider, Immediate, launched Visa Direct as a payment option, the near real-time method is already accounting for 50% of Immediate's disbursements. And PNC in the US is providing their commercial clients B2C disbursement solutions such as traditional payroll processing.

Another new flow is B2B, which represents a $120 trillion volume opportunity. On the card-based B2B front, in the wake of COVID, we are seeing increased interest for digital payments, including virtual cards. We're addressing this demand by, one, engaging with a broad range of issuers and partners; two, expanding into new verticals; and three, investing to streamline operations and enable acceptance.

First in terms of supporting issuance, Visa Payables Automation, which enables issuers to efficiently offer virtual cards to their corporate clients and send data back to the buyer to aid in reconciliation, saw an increase of issuers and partners on the platform by almost 50% in FY 2020.

Second, relative to expanding into new verticals, we are expanding partners and use cases for virtual cards beyond OTA. In Q4, we launched with ePay in China to support a virtual card program in both OTA and education. We also announced a new set of solutions partnering with Stripe to enable buyers to use virtual cards for payments, and the initial user is a Citibank healthcare client.

And third, investing to streamline operations and enable acceptance, together with partners like Boost, a FinTech focused on B2B payment acceptance, we are expanding commercial card adoption by streamlining the manual acceptance processes for suppliers, enabling automated data reconciliation and offering flexible economics.

And now let me turn to our third growth lever, value-added services. Value-added services grew 15% in revenue in the fourth quarter and 18% for the full year, a testament to the resilience of this business as well as the demand from our clients for support.

Often, our value-added services are sold with a brand deal, but many times they're sold after or even on a standalone basis. Permanent TSB in Europe renewed their credit and debit business earlier this year and subsequently signed an agreement with Visa to launch Visa Transaction Controls, which will provide a powerful and convenient way for cardholders to track and manage all payments activity on enrolled accounts and tokens.

In seller solutions, both merchants and acquirers have actively sought CyberSource's offerings throughout the pandemic. CyberSource sells direct to merchant and also through robust and fast-growing indirect channel with acquirers, who can leverage our platform to provide the latest digital capabilities in order to attract and maintain merchants.

With that in mind, we are very pleased that Barclaycard, one of the largest acquirers in Europe, will utilize CyberSource to support their merchants' digital payment journeys, e-commerce, and omni-channel requirements.

We have also established relationships with acquirers in other regions. This quarter in CEMEA, we signed CyberSource deals with HBL, the largest e-commerce acquirer in Pakistan, Equity Bank Group in sub-Sahara Africa, and Bank of Abyssinia in Ethiopia.

Before I close, a few words on the acquisition we announced yesterday. YellowPepper is a software company with a platform that we see as a universal adapter that allows clients to connect and scale new innovative capability without having to expend significant technology resources.

Through a single API-based connection, issuers, processors, and governments can access YellowPepper's rich set of APIs to initiate secure real-time money movement transactions across a variety of payment rails using a simple alias, something like an email address or a phone number.

For Visa, the acquisition extends our network-of-networks strategy by significantly reducing the time to market and cost for issuers and processors, regardless of who owns or operates the payment rails. It supports our financial institutions in their quest to modernize their infrastructure and access network-agnostic solutions, and it facilitates an easier integration to Visa Direct and Visa B2B Connect, which will help to grow new flows and transactions.

It enables the further adoption of value-added services, both ours at Visa's as well as YellowPepper's. We're excited about the deal, and we expect to close it in the next few weeks.

In terms of Plaid, I want to say two things. First, we continue to engage with the Department of Justice on their review of the acquisition. Second, the Department of Justice's lawsuit yesterday against Visa and Bain & Company is related to a dispute over documents they requested as part of their review of the deal. Beyond that, we're not going to comment further.

To close, this pandemic has touched all of us. Through it all, I've admired the resilience of our clients, who have worked hard to be there for their customers despite the many obstacles. I also have to pay tribute to the more than 20,000 extraordinary people who work at Visa. My colleagues have demonstrated dedication, creativity, and professionalism in the face of extraordinary challenges. In 2021, we remain committed to making the changes necessary to ensure our organization better reflects the world in which we live and work. Visa is proud to lend our support in the fight for racial and social justice within our four walls and beyond.

In terms of 2021, Vasant will provide a good deal of detailed commentary, so let me just make a few brief points. In 2021, we'll continue to manage the business for the medium and long term while recognizing the nearer-term realities. This means: one, we will focus on the opportunities that are being accelerated by COVID-19; two, we will continue to invest to grow our business; and three, we will be thoughtful about controlling discretionary expenses.

To be clear, while our business faces clear uncertainty, we have too many attractive growth initiatives to pull back on the future. Our long-term strategy, which we covered in depth just eight months ago at our Investor Day, remains more relevant than ever, and I believe Visa has a tremendous opportunity to continue to be transforming secure, reliable, and efficient money movement for everyone, everywhere.

With that, let me turn the microphone over to Vasant Prabhu.

Vasant M. Prabhu

Vice Chairman & Chief Financial Officer, Visa, Inc.

Thank you, Al, and good afternoon, everyone.

Q4 was the first quarter of recovery from the global shutdowns. I'll start with some high-level observations on the trajectory of the recovery so far. First, the debit business has been the major beneficiary of the accelerated shift to e-commerce and the shift away from cash, even for in-person transactions. In the US, debit is growing at twice the rate it was pre-COVID, and international debit growth has stepped up from 11% to 13% pre-COVID to 17% in the fourth quarter. Debit stayed resilient through the shutdowns, growing 8% in the US in Q3 and declining only 3% in international markets. Debit growth was strong and stable through the fourth quarter.

Second, credit was hit hard by the pandemic, declining 20% globally in Q3. However, credit has been recovering fast, exiting September down only 5% in our major markets, with steady improvement through the quarter.

Third, as economies reopened, card-present growth in major markets bounced back sharply from a 44% decline in April to a 4% decline in September, a 40 point recovery. Even as card-present volume rebounded, card-not-present growth remained robust. Card-not-present volume excluding travel grew 20% in April, 29% in May, and 33% in September. Consumers worldwide are sticking with habits formed during the shutdowns.

Fourth, the cross-border recovery has been sluggish since borders remain closed or there are significant impediments to crossing borders like quarantines and other such restrictions. From May through August, cross-border volumes were persistently down in the mid-40% range. September saw a 6 point recovery, which has continued into October. This recovery was driven by a few corridors where travel is now relatively frictionless, like travel from the US to Mexico and the Caribbean, travel from and to the Persian Gulf states, and travel to Turkey.

The sharp recovery in these corridors provides some early indicators for how cross-border travel may recover when borders do reopen.

And finally, the recovery so far has been uneven, V-shaped for domestic volumes but L-shaped for cross-border volumes. The cross-border business remains a significant and continued drag on revenue growth. As a result, net revenue declined 17% in the fourth quarter, approximately 11% when you adjust for the service fee lag. This was 10 points better than a similarly adjusted third quarter, driven primarily by the domestic rebound.

Moving now to a review of our key business drivers, in Q4 US payments volume was up over 7%, with consistent growth through the quarter. October volumes through the 21st are up 9%. Debit was up 24% in Q4 and up 22% in October. Credit declined 7%, improving through the quarter. In October through the 21st, credit is declining 3%. Card-not-present volume excluding travel continued to grow over 30% in the quarter, even as card-present spending improved almost to 2019 levels in September.

A quick review of the recovery trend across spend categories in the US, as we did last quarter, we have three groups, each accounting for about a third of our volume. The first group includes categories such as food and drugstores, home improvement, and retail goods. These categories have consistently grown at or about at pre-COVID growth rates, in the high teens, or even higher every week since mid-April. Through Q4, growth remained strong and stable.

The second group includes categories such as automotive, retail services, department and apparel stores, which dropped between 10% to 50% in April and have recovered to growth by the end of June. In the fourth quarter, these categories steadily improved and are generally back to pre-COVID growth rates.

The third group includes categories that are the hardest hit by this pandemic, travel, entertainment, fuel, and restaurants. These categories declined over 50% in April, improved 20 to 45 points through the third quarter, and are up at least another 10 points with steady improvement every month. Travel is still declining over 40% in September, with the largest improvement so far in car rentals and travel services. Fuel is also still negative, but recovered 20 points since June, driven both by gallons purchased and higher prices. Restaurant spending is almost back to 2019 levels.

International payments volume grew 1% in the fourth quarter and 5% excluding China. A few regional highlights, CEMEA remains our best performing region, growing 15% in constant dollars in the quarter, a 20 point improvement over Q3. The combination of easing COVID restrictions and client wins drove the strong growth. Europe improved 19 points over last quarter, growing 9% in constant dollars. Growth was strongest in the UK as well as Central and Eastern Europe. Fourth quarter growth in Europe benefited from UK cardholders utilizing their Visa credentials to move money into higher interest-bearing savings funds. This is not expected to continue going forward.

Latin America also improved 19 points, growing 6% in constant dollars. Brazil spend growth was positive in the quarter, fueled by a steady recovery in face-to-face spending, very high e-commerce spending, and client wins. Asia-Pacific declined 10% in constant dollars in Q4 or declined 4% excluding China, an 11 point improvement since last quarter. China continues to be impacted by the runoff of dual-branded cards that have little revenue impact. There were more COVID-related restrictions in effect across Asia than other parts of the world. Korea and New Zealand are the exceptions, where spending is already above 2019 levels.

Processed transactions turned positive in the quarter, up 3%, improving each month as a result of the domestic spending recovery. As you know, transaction sizes increased at the height of the pandemic, but customer behavior is starting to normalize. Processed transactions growth in October through the 21st is 4% globally.

Constant dollar cross-border volume, excluding volume within Europe, declined 41% in the fourth quarter. As I mentioned earlier, we did start to see some improvement in September and through October, led by card-present spending in a few corridors where there is less friction at the border. Cross-border volume excluding volume within Europe through October 21 declined 37%. Constant dollar cross-border volume, including volume within Europe, declined 29% in the quarter. It's important to remember that cross-border volume excluding volume within Europe drives our international fees.

The trajectory of the recovery where borders are now open provides some indication of how fast the cross-border business could rebound once most borders reopen. For example, travel from the US to Mexico saw a 40 point recovery from the trough in April through July, and the trend continued through the quarter. This corridor actually grew over 20% in constant dollars in September and October.

Travel to Turkey, which opened in early August, improved almost 30 points in August itself and remained at that level in September. However, at this point, borders remain largely closed. The World Tourism Organization reported in September that out of 217 countries, 161 countries, or 74%, still had complete or partial closure of their borders to foreign visitors. Of the remaining 56 countries, the majority are mandating COVID tests with quarantine. There are very few countries with no COVID restrictions. As a result, travel-related spending remains depressed, declining in the mid to high 60s in Q4 and through October. Growth in cross-border e-commerce spend, excluding travel and intra-Europe volume, has been consistently in the mid to high teens since mid-April, led by retail spending.

Moving to fourth quarter financial results, fiscal fourth quarter net revenues declined 17% on a nominal and constant dollar basis. Adjusted for the service fee lag, net revenues were down approximately 11%, a 10 point improvement from a similarly adjusted third quarter. This improvement was driven largely by the domestic spending recovery.

Service revenues were down 13%, driven by the 12% decline in nominal payments volume from the prior quarter. Data processing grew 4%, with strong value-added services growth offset by the mix shifting away from higher yielding cross-border transactions. International transactions revenues were down 38%, a few points better than cross-border volumes excluding inter-Europe due to some country mix and currency volatility benefits. Other revenues grew 5%, led by value-added services, but continue to be negatively impacted by declines in the usage of travel-related card benefits and marketing services for clients. Overall, value-added services revenue grew 15% for the fourth quarter.

Client incentives were 25% of gross revenues. This step up in the percentage was due to the revenue mix shift away from cross-border and the service fee lag as well as the impact of very significant renewal activity this year. Client incentives were a little better than expected, due to some deal timing and performance adjustments.

Fourth quarter non-GAAP operating expenses declined 4%, as expected, primarily driven by professional fees, G&A, and marketing expenses. These expense reductions were achieved while sustaining investments in our longer-term growth initiatives. Non-GAAP non-operating expense was $126 million for the fiscal fourth quarter. Interest income fell through the quarter due to low interest rates. Interest expense was higher from the August and April debt issuances. The non-GAAP tax rate was 18.3%. GAAP EPS fell 28%. Excluding special items, non-GAAP EPS was $1.12, a decrease of 23%.

On the fourth anniversary of the acquisition of Visa Europe, we had our first mandatory relief assessment for the Preferred B and C stock and released approximately $7.3 billion, giving Preferred B and C shareholders the opportunity to sell these shares. This did not affect the fully diluted share count.

A quick summary of fiscal year 2020 results, payments volume increased 2% in constant dollars. Processed transactions grew 2%. Cross-border volumes were down 22% excluding volume within Europe and 16% including Europe on a constant dollar basis. For the full year, net revenues decreased 4% in constant dollars. Client incentives were 23.4% of gross revenues. Operating expenses were down 3% on a GAAP basis and up 1% on a non-GAAP basis. GAAP EPS decreased 8% while non-GAAP EPS of $5.04 was down 7% or 6% in constant dollars. We returned $10.8 billion in capital to shareholders by repurchasing 44.2 million shares of Class A common stock at an average price of $183.30 for $8.1 billion and by paying dividends of $2.7 billion.

Looking ahead to fiscal year 2021, I'll start with a few general observations. Fiscal year 2020 was a year of two very distinct halves. The first quarter of fiscal year 2020 had no COVID impact. Net revenues grew almost 10%. Second quarter net revenues grew 6.6%, with a COVID impact on our reported numbers mitigated by the quarter lag in service fees. In sharp contrast, net revenues dropped 17% in the second half. As we look ahead, it is important to remember that the first half of fiscal year 2021 will lap a relatively normal first half of fiscal year 2020.

Another important factor to highlight is the nature of the recovery we have had so far. Helped by the accelerated shift to e-commerce and the shift to digital payments even in face-to-face transactions, the domestic business has experienced a V-shaped recovery. Processed transactions have largely tracked domestic payments volume growth with some impact from the mix shift to higher tickets, which appears to be normalizing.

On the other hand, borders remain largely closed or cross-border travel has significant friction in the form of quarantines or other requirements, resulting in a very slow recovery in cross-border travel. Also, the cross-border business comes with higher yields. This significant shift in mix is a drag on revenue growth, which will continue into fiscal year 2021 until the cross-border business recovers.

Meanwhile, the pandemic is still with us. The environment remains uncertain. It is not possible to reliably forecast volume and revenue four quarters out.

The significant uncertainties include, the impact of spikes in COVID infections as we are seeing now; the timing of reopening of borders; the easing of friction in crossing borders and its impact on cross-border travel recovery; the positive impact that improved therapeutics and a vaccine could have on all this; the timing and size of additional stimulus programs; the economic impact once various stimulus programs end.

With that as context, I'll share a few perspectives on fiscal year 2021 to try and be as helpful as we can be under the circumstances.

On the revenue front, given how fiscal year 2020 played out, fiscal year 2021 will also be a year of two very different halves. Net revenue growth is expected to decline in the first half and rebound significantly in the second, with the highest growth in the fourth quarter.

The level of the decline in the first half and the size of the recovery in the second will depend on how some of the unknowns I just enumerated play out. For example, if processed transactions and cross-border volume growth stay at levels we have seen so far in October through the first fiscal quarter, net revenue would be down in the high single to low double-digit range. This includes a 1 to 1.5 point negative impact from the service fee lag.

Through fiscal year 2021, we expect Visa Direct to continue its robust growth trajectory. We also expect value-added services to continue to grow in the mid-teens. There's little of new pricing in fiscal year 2021, but some benefit from pricing we delayed and some carryover pricing from fiscal year 2020.

On client incentives, we finished the fourth quarter of fiscal year 2020 at 25%. There are several factors that will impact client incentives in fiscal year 2021. First, mix. Incentives are tied more to domestic volumes than they are to cross-border volumes. The current mix shift away from cross-border hurts gross revenues and causes this ratio to increase. When the mix normalizes, this would push the ratio down again.

Second, performance. In fiscal year 2020, with the sharp decline in volumes, many clients did not meet certain volume thresholds, and as such, did not earn corresponding incentives. As volume recovers in fiscal year 2021, we expect clients will hit thresholds and earn these incentives, which causes a year-over-year increase unique to the year of the recovery.

Finally, the impact of renewals. As we have told you, fiscal year 2020 was another big year for client renewals. We renewed 25% of our volume during the year, with another 15% to 20% likely renewed in fiscal year 2021.

Factoring all this in, we currently estimate that fiscal year 2021 incentives as a percent of gross revenue could be in the 25.5% to 26.5% range. As always, we have given you our best sense of the range at this point and will update you through the year as we learn more. First quarter incentives are likely to be at the lower end of the range.

Moving to operating expenses. In fiscal year 2020, we demonstrated our ability to modulate expenses and investments as circumstances change, balancing short-term imperatives with long-term priorities.

Non-GAAP operating expenses grew 8% in the first half and declined 5% in the second. As Al indicated, we remain very bullish about the growth potential of our business and will invest accordingly.

Visa Direct continues its robust growth. B2B Connect is ramping. Our value-added services growth is sustaining at mid-teens levels. And our recent acquisitions require investments to scale. We will step up investment in all these areas and a few others, such as the Tokyo Olympics. As a result, we plan to increase our level of investment through the year, modulating as we learn more about the trajectory of the recovery.

Our current plan is for expenses to be down in the first quarter, in line with second half fiscal year 2020 trends. Expenses are expected to grow in the mid-single digits in the second quarter, as we begin to lap the expense pullbacks from the last fiscal year. At this point, we plan on double-digit expense growth in the second half, in part due to the Olympics. However, we will adjust our plans as needed and update you as the year progresses.

We expect non-operating expense to average $145 million to $150 million each quarter in fiscal year 2021 for two primary reasons, first, low and even negative interest rates on our cash balances; and two, our $4 billion in additional debt after we pay off our December bond maturities.

Our fiscal year 2021 tax rate is expected to be in the 19% to 19.5% range. It is too early to predict what impact the US elections will have on our taxes. As always, we will provide updates, if any, to our tax rate expectations as the year progresses.

Capital spending in fiscal year 2021 is likely to be around $700 million. We expect to return most of our free cash flow back to shareholders in the form of dividends and buybacks. Our Board of Directors has authorized an increase of our quarterly dividend to $0.32, starting in the first quarter of fiscal year 2021. When the Plaid transaction closes, we will let you know what its impact on FY 2021 will be.

In summary, as we have done in fiscal year 2020, we will stay flexible and agile as we work through the pandemic. As you heard from Al, the opportunity ahead is vast. The shift to e-commerce and away from cash is accelerating. New schedules for new payment flows are proliferating and ramping. Our value-added services business continues to grow at a healthy clip.

We remain as optimistic about our future as we were at our Investor Day in February, which now seems like a lifetime ago. Our strategy remains unchanged. And in fiscal year 2021, we will continue to prioritize and invest in our key growth initiatives.

With that, I'll turn this back to Mike.

Mike Milotich
Senior Vice President-Investor Relations, Visa, Inc.

Thank you, Vasant. We will run a little long in order to ensure we have enough time for questions. So with that, we're ready to get started, Jordan.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Our first question comes from Dan Dolev from Mizuho. Your line is open.

Dan Dolev
Analyst, Mizuho Securities USA LLC

Q

Hey, guys. Thank you for taking my question. Can you give us a little more color [audio gap] (00:42:25) you mentioned sending money with email or anything like that that you could highlight in terms of the advantages of YellowPepper. Thank you.

Alfred F. Kelly
Chairman & Chief Executive Officer, Visa, Inc.

A

Dan, it's Al Kelly. How are you? This is a company that we're quite familiar with. We were an early investor with them. We've been working with them. And what they really are going to allow various players throughout at least in the foreseeable future through Latin America being able to facilitate getting any kinds of – various kinds of services up and going very quickly by connecting to YellowPepper and then YellowPepper taking over from there.

And we think as the payments and money movement world continues to grow and diversify, having a software platform like YellowPepper that makes it easier for these connections to happen and gives us an on-ramp to sell value-added services and accommodate the needs of various clients to have network-agnostic solutions, that it's going to give us a good path towards accelerating both core payments as well as value-added services and new flows throughout Latin America. And then over time, we'll look to extend the capability beyond that region.

Dan Dolev
Analyst, Mizuho Securities USA LLC

Q

Great, thank you. Great results.

Alfred F. Kelly
Chairman & Chief Executive Officer, Visa, Inc.

A

Thank you.

Operator: Our next question comes from Bob Napoli from William Blair. Your line is open.

Robert Napoli
Analyst, William Blair & Co. LLC

Q

Good afternoon, thank you for the question. Just on the value-added services, I was hoping to get a little bit more color on the mix of the revenue. If you could, kind of break it out by whatever reasonable products that you could, and which of those products are growing the fastest, obviously Visa Direct.

Alfred F. Kelly
Chairman & Chief Executive Officer, Visa, Inc.

A

Bob, thank you for the question. So first of all, we think of Visa Direct as a new flow, not a value-added service.

Robert Napoli
Analyst, William Blair & Co. LLC

Q

Okay. Sure, okay.

Alfred F. Kelly
Chairman & Chief Executive Officer, Visa, Inc.

A

But let me try to give a little more color. So about two-thirds of value-added services are platform type of services that are driven by transactions. And obviously, in this environment, some of those have done quite well, CyberSource, where people are looking for omni-channel solutions, risk and fraud services, particularly as a lot more transactions have gone online and people are looking at things like 3D Secure 2.0 and our offering from CardinalCommerce. And then issuer processing has done well given what's happening with debit, as Vasant described in his remarks.

About the other third – so that's about two-thirds of value-added services. The other third is kind of split between service revenue and other revenue. So in service revenue, you have card benefits, which are offered as a package. And then in other revenue, you have services that are generally not tied to volume, things like travel-related card benefits, marketing services, data and consulting and analytics. So you can imagine in that grouping there are things that are struggling a little and other things that are accelerating. So travel-related card benefits are obviously very sluggish as are marketing services, but things like data and consulting and analytics are continuing to grow at pretty robust levels. So that would hopefully give you some color. I don't know, Vasant, whether you want to add anything to that.

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

A

No, I think we're very pleased with how, as Al said, the platform-based services are growing. Those happen to be the ones that have the best margins, and it's things like our fraud services authentication through CardinalCommerce, as well as Al said CyberSource, clearly the growth of omni-commerce and certainly everybody, every merchant wanting to enhance their e-commerce business is very helpful to CyberSource, which as you know, is a gateway for most e-commerce merchants, and then with debit doing well, the debit processing business. So those platform services, most of which show up in our data processing line from a revenue standpoint, are particularly high growth right now.

Robert Napoli
Analyst, William Blair & Co. LLC

Q

Thanks, Vasant. Thanks, Al. I appreciate it.

Alfred F. Kelly
Chairman & Chief Executive Officer, Visa, Inc.

A

Thanks, Bob.

Operator: Our next question comes from Bryan Keane from Deutsche Bank. Your line is open.

Bryan C. Keane
Analyst, Deutsche Bank Securities, Inc.

Q

Hi, guys. I just want to ask about the strength in debit. Obviously, even without stimulus, the growth continues to be impressive, well above 20%, especially in the US, and then obviously picking up internationally. How much of that is driven by this move towards contactless and e-com? And as we get into next year, does it cause a difficult comp just because the growth rate is so much higher than traditional, or does this growth continue at these rates and maybe somewhat offset by a pickup in credit by the time we get to the second half of next year? Thanks.

Alfred F. Kelly
Chairman & Chief Executive Officer, Visa, Inc.

A

Thanks, Bryan. I'd say there are a number of drivers of what's happening with debit. Certainly, I think an acceleration of cash displacement at the point of sale where people are just concerned about cash being a carrier of germs. I see that. I think that trend continues, certainly a significant shift to online purchases, and mostly in everyday spend categories which kind of favors debit a bit. I think that's going to stay up at fairly healthy levels.

Thirdly, what we've learned in the past and is being reinforced now is that in these uncertain economic times, people probably would prefer to spend the money they have than to borrow the money, and hence that's a positive driver for debit. And then Visa Direct obviously helps drive our debit performance as well.

I expect that a lot of this positive momentum will continue, but I think there's no question that if – and let's hope it does – the world gets back to normal quicker than many might predict, that A), you will see credit come back as more discretionary purchases and travel start to bounce back. And maybe some purchases start to move that are online maybe move back into the face-to-face world. But I think a lot of people have gotten very comfortable sitting at their dining room table or in their home office shopping online on e-commerce. So I think a lot of these drivers of what we're seeing in debit over the last six months have some staying power to them.

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

A

I'd add a couple of things, and you can see it in some of the charts we provided on the weekly trends. I think what's happening about debit, which as I said in my comments, is the biggest beneficiary of the accelerated growth of e-commerce and the shift away from cash, the two things we are seeing is that even as credit has recovered from declining 20% in April to exiting September down only about 5%, I believe, if I remember right, in the major markets, you see the credit line and the debit line have been very steady. It's been growing at the same rate without really being impacted by the recovery of credit. And even as card-present trends have improved, you're seeing the debit line hold steady.

So a lot of it has to be driven by the new use cases we're enabling and new payment flows through Visa Direct, as Al said, and also the fact that there has been a true shift away from cash and most of it has gone to debit. Now clearly, some of it is the stimulus payments. And if you don't have them next year, clearly some of that spending may have been spending that may not sustain, but that remains to be seen.

Bryan C. Keane
Analyst, Deutsche Bank Securities, Inc.

Q

Got it, helpful. Thanks.

Alfred F. Kelly
Chairman & Chief Executive Officer, Visa, Inc.

A

Thanks, Bryan.

Operator: Our next question comes from Sanjay Sakhrani from KBW. Your line is open.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.

Q

Thanks. I wanted to sort of follow up on exactly what you were talking about, Vasant. Obviously, there's a recovery underway. But to the extent that stimulus isn't renewed – and I know that may or may not happen – and then you're going into the winter months where it may be more difficult to travel or eat out and such, do you feel like that's a risk to the growth trajectory of the volumes?

And then just a clarification on the incentive guidance, the volume and support guidance. Does that include, the numbers you gave, an impact from the lag of the volumes that come back versus what you're paying out? Thanks.

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

A

I'm not sure I fully understood your second question, but I will try to answer it.

On the first one, as I said, we live in uncertain times, and it's difficult to hazard guesses on what's going to happen if there are spikes in infections. I would say we are tracking it very closely, and there are really two things to track. It's spikes in infections, and then what is the response from the government. To the extent that the response from the government is to impose restrictions and shutdowns, then it does have effects on spending. If the response of the government is to largely keep things open, then we see less of an impact. So it will be very different region by region and country by country, both linked to the infection rate as well as the governmental response.

As it relates to travel, travel habits are changing, as you saw. People can't go everywhere. So corridors that are open are getting more of the travel, which is why you saw the Caribbean and Mexico actually growing in September and October. And normally, September and October after school is open tends to be a slowdown in travel. In fact, we're seeing travel continue, personal travel continue into September and October in the corridors that are open. So what you may see in terms of travel is people really being quite astute about where they can travel. And as certain corridors open up, you start to see travel moving into those corridors that may have gone elsewhere. So it all makes it very difficult to make any hard predictions about what's going to happen next.

As far as your incentive question, I wasn't sure what the question was exactly. But we try to factor in everything we know right now, mix shift from cross-border, service fee lag, the renewals we already had and what we might expect, to give you the best range we can. We will obviously give you an update as the year goes by.

Sanjay Sakhrani
Analyst, Keefe, Bruyette & Woods, Inc.
Q

Okay, thank you.

Alfred F. Kelly
Chairman & Chief Executive Officer, Visa, Inc.
A

Thanks, Sanjay.

Operator: Our next question comes from Ramsey El-Assal from Barclays. Your line is open.

Ramsey El-Assal
Analyst, Barclays Capital, Inc.
Q

Hi, guys, and thanks for taking my question. You called out a lot of new partnerships and agreements this quarter, Al, in your prepared remarks. And I'm just wondering in the context of the pandemic, has the way you structured the agreements changed at all? Are incentive levels less performance-based, or are there any kind of changes that might have an impact on the way incentives kind of come in down the road in terms of how you're negotiating right now?

Alfred F. Kelly
Chairman & Chief Executive Officer, Visa, Inc.
A

Ramsey, as a general rule, I'd say that there really hasn't been a lot of change. I think that they've generally been fairly similar. I think that, for the most part, I think most – as you know, most of these deals are five, seven, sometimes longer years in duration. And I think almost everybody thinks that we're looking at kind of a once in a century type of event here. Through the conversation that Sanjay and Vasant were just having, we're not sure how long that really lasts, but we're certainly not looking for it to last through the duration of what these contracts are.

I think that said, we're certainly thinking about the structure of deals and trying to determine where to tweak things here and there. But I wouldn't say that we've made any kind of radical changes in how we're structuring the deals, Ramsey.

Ramsey El-Assal
Analyst, Barclays Capital, Inc.
Q

Okay, that helps. Thanks so much.

Operator: Our next question comes from Lisa Ellis from MoffettNathanson. Your line is open.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

Good afternoon, guys. Thanks for taking my question. My question is about Europe. This 9.1% growth in Europe this quarter, that is a very strong number, stronger than it had been pre-pandemic. Can you talk a little bit about what's going on in Europe? Are you starting to see the payoff of the long-term effort there to invigorate that business after the Visa Europe transaction? And then are you seeing just really elevated cash displacements? What are some of the underlying dynamics in Europe? Thank you.

Alfred F. Kelly
Chairman & Chief Executive Officer, Visa, Inc.

A

So, Lisa, I'd say a few things. First of all, this movement of funds into these higher-yielding savings accounts definitely was a real factor, and that's not going to repeat itself.

But beyond that, I think that you are seeing the beginnings of traction of a number of FinTech deals. I mentioned Revolut in my remarks, but Lydia in France comes to mind. Ininal, a FinTech in Turkey, comes to mind that are really starting to scale up in terms of their relationship with Visa.

I also think that we've had a pretty good track record of deepening some of our existing businesses that we renewed as well. I commented on a few of those. But if we go back over the past numbers of earnings calls, we commented on others.

And I have made the point that I think that I believe over the last five or six quarters that Europe has made a lot of progress in terms of relationship build. They're just going to take time to show up in the numbers, because you're either doing a startup or you're doing a shift with a client. And both of those just simply take time and they take time to ramp, to get credentials out. And then they take time for those credentials to ramp in terms of volume.

The other thing I would say is that open banking continues to be a strength for us in Europe, and we're having good success selling our value-added services, particularly as I commented and answered somebody else's question earlier, some of our products from CardinalCommerce as well as our 3D Secure product.

So I think it's the beginnings of some of the success that we think we've been having over the last five or six quarter, plus this kind of one-time deal where people move money via their debit cards in these high-yield savings accounts.

And we'll have to see what happens, Lisa. Today you probably saw both France and Germany have announced going into some form of partial lockdowns again. So that's obviously not very positive news vis-à-vis driving volume across the continent.

Lisa Ellis
Analyst, MoffettNathanson LLC

Q

Thank you.

Alfred F. Kelly
Chairman & Chief Executive Officer, Visa, Inc.

A

Thanks, Lisa.

Operator: Our next question comes from Dan Perlin from RBC Capital Markets. Your line is open.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

Q

Thanks and good evening. I just wanted to follow back up again around the notion of cross-border volumes, ex-intra-Europe. They're just probably going to drag on for a bit.

And so what I'm trying to understand or reconcile a little bit here is the specific opportunity that you might be pursuing maybe more behind the scenes in order to offset some lost revenue and lost profits.

So rather than kind of a very large drop-down list of products and opportunities, I'm thinking of things like increased authorization rates, now that you have a lot more e-commerce cross-border that's happening. That's opening up the funnel for merchants. Are you able to offset some of those lost profit dollars as a result of those types of things? And then how prominently is CyberSource playing in that regard? Thanks.

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

A

Yeah. We're clearly focused on all that. Increasing authorization rates in particular corridors, big priority. Increasing activation of cards that can be used for cross-border, a critical priority. The growth of non-travel cross-border business, big priority.

Cross-border business for new use cases that Al highlighted through Visa Direct like remittances, cross-border business through B2B Connect, all those are revenue streams that are new and very exciting and growing well.

It's a big year in 2021 to lay the groundwork for Earthport to scale. We have signed up a lot of clients. The volume is ramping. We're spending quite a bit of time and effort to ensure that the Earthport platform can scale. And a lot of that will be cross-border flows, not necessarily for consumer payments, but a whole range of other use cases.

So there's a variety of non-specifically travel-related cross-border use cases that are happening right now that we're very excited about. And then we're doing, as you said, the bread-and-butter stuff of improving authorization rates, reducing fraud, and all the things that would make people more willing to approve more cross-border transactions.

Daniel R. Perlin
Analyst, RBC Capital Markets LLC

Q

Excellent, thank you.

Operator: Our next question comes from Tien-Tsin Huang from JPMorgan. Your line is open.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Hey, thanks so much. Al, I was thinking about your answer to Lisa's question, and I'm curious if you can – do you think you can shift into another gear and win more business in Europe with open banking and the digital shifts there? I guess I could expand that to other regions as well, but I'm thinking about Europe, given the open banking dynamics.

Alfred F. Kelly
Chairman & Chief Executive Officer, Visa, Inc.

A

I certainly hope so, Tien-Tsin. We're very, very focused on it. I think we've talked about this in the past.

We really feel like we've been the last year, 15 months really on our front foot in Europe. We've had a really good win rate on FinTechs. We're having lots of really good discussions with banks about open banking.

In addition to the things I mentioned, we've got our Visa Trusted listing, which allows customers to identify merchants that they trust, which will help users meet the regulatory requirement and have a much better user experience for the customer.

We've got the Visa Delegated Authentication, which issuers delegate authentication to merchants or digital wallets, which also reduces friction at the point of checkout.

So a lot of these discussions have gone very well. And I think that people who are clients and potential clients are viewing us as being very supportive of what they have to do to deal with open banking downstream. So I believe that our momentum is good, and you're going to continue to see it in our numbers.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Just a quick follow-up, if you don't mind. I know some of the wins you guys have had, like Venmo and you talked about Revolut, pretty innovative, including on the reward side with things like Venmo. I'm curious if also you could see a little bit more of business become available, thinking about travel cards and some of the more traditional travel rewards might have less utility here during the pandemic. Are you seeing that? Is that an area of focus, perhaps?

Alfred F. Kelly
Chairman & Chief Executive Officer, Visa, Inc.

A

I think issuers around the world are dialing back on their spending and their acquisition on travel-related cards at this point and looking at alternatives. And even here in the United States, obviously I think you've seen a lot more activity on things like cash back than you are on travel co-brands. So I think in the near term, that's going to be the case.

I think, though, as travel returns, which I happen to be optimistic that it will, Vasant basically described how I see it, which is that travel is for all intents and purposes shut for consumers. It's not that you're even having a choice of to travel or not to travel. In most cases, it's so much of a hassle that right now that you just don't. It's just not a good experience. And I think as travel can reopen, I think that people wanting to see the world and see family and friends and knock places off their bucket lists, et cetera, it will start to come back. And at that time, I think people will go back to promoting the travel elements of their card or the benefits of the card as well as you'll see more attention paid back on the travel-related co-brand cards.

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

A

A couple of sort of let's say bright spots from some of the early indications here is, as you know, the bulk of the cross-border business we have that's card-present, and the bulk of our cross-border travel is based on personal travel, and that's an important one to note. And there clearly seems evidence of pent-up demand because anytime a corridor opens up – we shared the example of Turkey – there's a massive pickup. There are more

Americans traveling to Turkey now than they did last year by a significant amount because they realize that's one place they can go. We've seen that from other parts of the world that are open like travel in and out of Dubai. So we're seeing a lot of travel from Europe into the UAE, for example. So what we're seeing is there is pent-up demand. The corridors, which are very few right now that are open, are getting a lot of it. And as corridors start to open, you will see different travel patterns than you saw pre-COVID. But there just seems to be a lot of desire to travel.

Tien-Tsin Huang
Analyst, JPMorgan Securities LLC

Q

Yes, agreed. That makes sense. Thank you.

Operator: Our next question comes from Jason Kupferberg from Bank of America. Your line is open.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Hey, good afternoon, guys. I know back at the Analyst Day, which I agree with you, Vasant, it feels a very long time ago, you spent a lot of time on B2B. And I wanted to see now that we're 6-plus months into the pandemic, is COVID catalyzing accelerated growth in B2B for Visa? And if so, are there some supporting data points you might be able to share on that front?

Alfred F. Kelly
Chairman & Chief Executive Officer, Visa, Inc.

A

I'll start, Jason, and Vasant can add. I would say that commercial B2B volume in the carded space is running pretty close to where you see consumer credit. So it definitely has been hit and has – the line on its growth has been, as I said, fairly close to the credit line. That said, we've continued to invest heavily on trying to promote virtual cards as more digital spending is going to take place in the B2B arena, and we're continuing to build out and invest in building out the B2B Connect network. We're up and have the capability up and going in 80 countries. We're looking to expand to the next 30 countries over the next year-plus. And so we haven't really taken our investment dollars on building for the future down much at all in this area. But there's no question the volume has been impacted by lots of people curtailing their spending and lots of employees around the world working from home.

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

A

Just a little more color on the B2B side. As Al said, in the card-based part of the business, we're seeing the small business side recover nicely. The large and medium-sized side is the one that is still somewhat sluggish. We don't have a big travel-related component in our card-based B2B business. On B2B Connect, we continue to build the nodes. A lot of interest, and we have some big new clients that will be ramping, and hopefully we can tell you more about that in the next few quarters. And then in the very large AR/AP business, there continues to be interest. We are very focused on trying to figure out the use cases that have traction and how we create value. But I wouldn't say that there's any dramatic shift. It remains a category of people are trying to figure out a way to create value there. So we'll again tell you more as things develop.

Jason Kupferberg
Analyst, BofA Securities, Inc.

Q

Okay, thank you.

Mike Milotich
Senior Vice President-Investor Relations, Visa, Inc.

A

We'll take one last question.

Operator: Our final question comes from Darrin Peller from Wolfe Research. Your line is open.

Darrin Peller
Analyst, Wolfe Research LLC

Q

Hey, guys. Thanks. We've seen obviously this uplift in the CNP transactions, both online and even offline, similar with contactless. And I think we've been saying and I think you guys have said also your technology can handle more of that market share than other local or PIN networks given your investments. I guess first of all, can you just make sure, just verify if that's true, in your opinion? And then second of all, what kind of economic uplift is there from things like the CyberSource and the fraud solutions you provide there?

And then. Vasant, just a quick follow-up on the incentives comment you made about 2021. You mentioned incentives at I think 26% or so in fiscal 2021. Does that assume that cross-border doesn't improve at all in fiscal 2021 or just stays basically at October levels to get to that number? Thanks, guys.

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

A

What happens – I'll take the second part first. What happens to cross-border is anybody's guess. So we gave you a range of 25.5% to 26.5%. We have seen let's say a 6 point improvement from Q3 to Q4. From Q4, 41% down to where it's running in October is a four-point improvement. So we've assumed some modest improvements through the year. So it's not saying that there's no improvement. Implied in there is some modest improvement. I think that's probably the best way to think about it. But it is a range. It's hard to estimate. We've given you the best range. We'll tell you more as the year goes by. And then your first question, Al, if you were going to take that.

Alfred F. Kelly
Chairman & Chief Executive Officer, Visa, Inc.

A

So I wasn't – so in the case of card-not-present, it's very, very good volume for us. I think at Investor Day we said that $0.15 of every dollar in the world today in face-to-face is spent on a Visa card. In the card-not-present world, it's $0.43 on the dollar, simply because cash comes out of the picture. And obviously, as fraud has migrated more to online, as chip on card has depressed fraud in the face-to-face world, that gives us an opportunity to work with issuers on driving down fraud by using various services and products that we can provide.

And somebody alluded to it earlier. There's still in the card-not-present world, still real opportunity to drive up authorization rates. I think it was a question asked relative to cross-border. And clearly, cross-border authorization rates and card-not-present are lower than authorization rates domestically on card-not-present. But in both cases, versus face-to-face, there's real opportunity to increase authorization levels to drive more volume.

Darren, you said something about contactless too. Obviously, that's in the face-to-face world, and we continue to make and will continue to make real progress there. I think COVID will help accelerate the pace in the United States, which is the one market that's been much further behind. I think I said in my remarks that contactless transactions represent 43% of face-to-face across the globe, 65% excluding the United States. That gives you the magnitude of how far behind the US is. I do think, though, that – and maybe you meant Click to Pay. I do think Click to Pay will help as well accelerate card-not-present as well, particularly for people who are not card on file but they're just logging on to buy for the first time and they're being a guest. So I think that there's real opportunity for Click to Pay to help build a better user experience there. So we certainly remain really bullish on what can happen in the card-not-present world.

Darrin Peller
Analyst, Wolfe Research LLC

Q

All right. Thank you, guys.

Alfred F. Kelly
Chairman & Chief Executive Officer, Visa, Inc.

A

Thanks, Darrin.

Mike Milotich
Senior Vice President-Investor Relations, Visa, Inc.

We'd like to thank you for joining us today. If you have additional questions, please feel free to call or email our Investor Relations team. Thanks again and have a great evening.

Operator: Thank you for your participation in today's conference. You may disconnect at this time.