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Visa, Inc. (V)

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MANAGEMENT DISCUSSION SECTION

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

All right. We'll go ahead and get started here. Thank you, everybody, for joining us here this afternoon. We're very excited to have Visa. We're kind of coming towards the end of the third day of four here at the Morgan Stanley TMT Conference. So, thank you to all of you that have participated both as investors as well as companies and executives from presenting companies.

Before I get started here with Visa and Visa's Group President of Global Markets, Oliver Jenkyn, quick introduction from me. I'm James Faucette, senior research analyst in charge of fintech at Morgan Stanley. And before we launch into our conversations with Oliver, I do have a disclosure to read. Please see the Morgan Stanley Research Disclosure website at morganstanley.com/researchdisclosures. If you have any questions, please reach out to your Morgan Stanley sales representative.

So, with that out of the way, Oliver, I was just complimenting you like I'm bringing the coffee, we're going to go high energy at 4:20 in the afternoon. So, I appreciate that. But maybe to kick this off, can you give us an overview of your roles and priorities as Group President? Tell us a little bit about where you've worked historically within the firm? And more importantly, what your key priorities are for the next few years as it relates to Visa?

Oliver Jenkyn

Group President-Global Markets, Visa, Inc.

Sure. Thanks, James. It's great to be here. So, I'm Group President at Visa, responsible for Global Markets, which means responsible for the teams that lead our business in the 200-ish countries and territories in which we operate around the world.

At Visa, we run the company by five regions: Asia, Europe, North America, Latin America, Middle East, Africa. There's a regional president that sits on top of each of those five regions. Those are five of the most important jobs at the company. Those five folks are on my team. And so, my job is to make sure they have everything that they need to drive our business in those regions. And then the head of digital partnerships, global deals, and some of these other elements are on my team as well.

I spend all of my time thinking about driving our clients' business in markets around the world; and by extension, driving Visa's revenue as a result of that. And then from a strategic priorities point of view, as I'm sure we'll get into, the three key levers for growth for Visa's clients and for us are: driving core consumer payments; the new flows business, which I'll say more about later; and our value-added services business. Those are the three big levers, that's where I spend my time.

I've been in this role for a year and a bit. This is when Ryan McInerney became our CEO. As part of the succession plan, I moved into this role. Prior to that, I was the president of one of those regions, North America, for about a decade. I ran our new flows businesses, our head of strategy, M&A and some other things over time. So, that's me.

QUESTION AND ANSWER SECTION

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Q

And so, – so, let's start with – I think the question that we get most often, I'm sure most investors that you talk to like to start with this question and that is, can you give just some flavor and color on what you've been seeing from a regional trend perspective? As you said, driving consumer behavior and the like is a key priority. What are the recent spending and macro trends you've been observing across regions? Let's start there, and anything that would stand out for you.

Oliver Jenkyn

Group President-Global Markets, Visa, Inc.

A

So from a data point of view, if I just sort of focus on the data for a second, our data shows through Q1 and through quarter to date until February 21, steady and sustained growth globally. In the US, we've had steady growth since March of last year month-over-month, quarter-over-quarter relatively sustained growth. And that's continued through our fiscal Q1 and through our fiscal Q2 quarter-to-date. Again, so February 21.

Same is true globally for the most part. There's variations in different markets around the world, but still relatively stable quarter-to-date for us. I get asked this question a lot and I give – it's unfortunately – or actually fortunately, it's very boring answer. Steady, sustained growth which – again, boring is not something to aspire to, but in this case I think steady, sustained growth is a good thing.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Q

So, let's talk about the regional opportunities. You mentioned kind of what's happening in the US, the stability there. But which regions outside the US are you most excited about for Visa? And maybe you could go across each of the key international regions and tell us the opportunity you see there? And how is Visa approaching each of these markets differently, if differently at all?

Oliver Jenkyn

Group President-Global Markets, Visa, Inc.

A

Yeah, that's a great question. That's a big question. That'll take a minute. But let's unpack that because I think that's a very substantial question. So, maybe I'll say a couple of things and then I'll go around the world.

James E. Faucette*Analyst, Morgan Stanley & Co. LLC*

Yeah.

Q

Oliver Jenkyn*Group President-Global Markets, Visa, Inc.*

But if I – a couple of things upfront that I'd say. First of all, at Visa, we are – we have a very clear set of ideas and opportunities that we're going after. We don't need to go and do an offsite with whiteboards to try to figure out new ideas for growth. We're very clear on the ideas that we have, and we're focused on prioritizing and executing against those ideas. We feel great about that.

A

The second point I'd make is, as we go around the world, even though every market is different and there's idiosyncrasies that we need to adjust for, in every market all day every day, our leaders are talking about the same three growth levers: driving consumer payments, C2B payments, consumer buying things from businesses, driving consumer payments. Two, driving our new flows business. So if our consumer business is C2B, money has to move between a whole bunch of other counterparty pairings, B2B, B2b, P2P, cross-border P2P, G2C disbursements, et cetera. Our new flows business or CMS business is about capturing those money movements. Huge opportunity. And then the third is value-added services.

For our clients, payments is hard. There's a lot you need to do in payments. And increasingly, they're saying, can you provide some of these services to us because we trust you. So as we go around the world, everything is different around the world. But as much as things change, they stay the same. We're talking about those same three topics in every market around the world and those resonate.

All right. So now, let's zip around the world in three minutes or less. So, let's do Latin America. In Latin America, cash displacement is job number one. Just before the pandemic, there was more cash volume on the Visa network than there was payment volume, purchased volume, by which I mean we had more volume of people going to an ATM to get cash to then go buy things than we had people actually buying things with a credit or debit card. That changed over the pandemic and is continuing to change rapidly now. Lots of great markets in Latin America. I spend a lot of time in Brazil, Costa Rica, Colombia, Chile, Ecuador. But I'll talk about Mexico for a second.

Mexico is a great opportunity for us because it's got great clients, it's got a sophisticated citizenry, but there's still over 50% of total purchase volume in Mexico is still cash. And so, our focus in Mexico is about investing behind our best clients there who are incredibly talented and sophisticated clients, capturing the remittance opportunity which is an enormous opportunity, getting cheap acceptance devices, contactless tap to pay investment devices into small and nano merchants.

And then, in Mexico, we're really excited about our Prosa investment, because that Prosa investment enables us to have a platform to invest into the Mexican market. So, it really invests to sort of elevate the technology capacity in the market, but also as a platform to sell our value-added services. So I could go on and on, but Latin America cash displacement is job one.

In Central Europe, Middle East and Africa, if we had more time, I probably would do like North Africa and Sub-Saharan Africa with a lot of great stories on mobile money movement. But I think – I think I'll do the Middle East and the Gulf instead, because the Gulf – and it's a very different set of markets in Central Europe, Middle East and Africa. But in the Gulf, in consumer payments, you've got a great demographic, you've got an affluent base,

high propensity to travel, high digital sophistication. So, capturing consumer payments in Saudi Arabia, UAE, Kuwait, Qatar, all those markets are phenomenal growth engine for us.

And then, we're having a lot of success with remittances in and out of the Middle East, which is really important in that part of the world. And then, if I stick with the Gulf still, value-added services are really popular, specifically risk and identity solutions, consulting and marketing services are really popular. One other thing I'll say in the CEMEA region, about getting the basics right. In the past three years, we have tripled the number of acceptance locations in the CEMEA region broadly. There's value in just getting the basics right and displacing cash.

And then, let's do Asia. I was in Asia last week, Tokyo, Hong Kong, Shenzhen. It's a phenomenal market. Lots of growth. Obviously, an enormous amount of diversity in that market country by country. But I'd say, three things to call out in Asia Pacific for us. One, cash displacement in core consumer payments. And by the way, not just in like Southeast Asia where you'd expect that to be the case, but even in sophisticated markets like Japan. Japan still has an enormous amount of cash just culturally. It's just a cultural thing in Japan. And there's a great opportunity with sophisticated clients to get after that.

Second trend in Japan, innovation is – I mean, they're leading the way in innovation in so many ways in Asia. And so, again staying in Japan, we did a great partnership with Sumitomo Bank to introduce a product called Olive, great Innovation, where it's a single flexible credential. So one credential – it's like a credential for life – from one credential, a Sumitomo Bank customer can do a debit card transaction, a credit card transaction, a loyalty points transaction, and go to the ATM. It's a platform they can do BNPL. You do with a physical card, a digital card, you can store a card on file, sort of a credential for life instead of defining it product by product. There's an innovation we did with them. Exciting.

When I was in Shenzhen, I had spent some time with Tencent. There's a range of things we're talking about with Tencent about things that we can do to grow the business together. A lot of exciting things there. So, trend number two in Asia is just innovation and making sure that these are staying on the cusp of that. Almost done.

The third thing I'll do in AP, though, is B2B. There's just an enormous amount of B2B activity in Asia, within Asia, into Asia, out of Asia, in B2B spend. And so, we've renewed many partnerships like DBS and UOB out of Singapore to have more investment dollars to focus on B2B. We also have a partnership with SAP in the AP region where we can embed a Visa virtual credential into the 46,000 merchants about supply chain for B2B spend.

And then, what's left? Europe's left. So, maybe I won't do UK because that's usually what I do when I talk about Europe. I'll do Continental Europe and maybe Germany. Germany is kind of like Japan, still a huge amount of cash in that market. So, a hugely sophisticated market that still has a ton of cash to go and get. So we're focused on getting more credentials in market. We now have over 16 billion debit card credentials in Germany from basically nothing a short period of time ago.

Visa is now accepted at more merchant locations than the domestic network that exists that – we just accomplished that at the end of last year; that's a huge accomplishment. And usage is way up. Our payment transaction growth in Germany last year was 33%. So, that's Germany. It's a huge market and yet we still have so much room to grow. And if you had four more hours, we'd go around again [indiscernible] (12:42).

James E. Faucette

Analyst, Morgan Stanley & Co. LLC



Yeah, there's a lot more countries we can hit. I think it's interesting and I just give a little bit of my own experience, I'm sure we could elaborate for hours on this. But it's funny because I like that you brought up Japan and the proportion of cash that's there. And I don't know, right before the pandemic started, I went and gave a presentation to a committee at the Bank of Japan. And we were talking about different topics, whether it be electronification of payments, other topics like cryptocurrency, et cetera, and we were kind of going through.

But I was stopped in my tracks as we were kind of going through the Q&A, because for them they had a real issue which was like, look, we have to figure out how to move things along culturally, as you talked about, because we're going to have 20% fewer workers in 20 years than we do today. And what that means from an efficiency standpoint and cost reduction standpoint, et cetera, is really rising to the top of their priority list. And so, that was like an important driver that I hadn't really appreciated. And so when you start talking about all these countries, they each have kind of their own unique circumstances, [indiscernible] (13:54) right?

Oliver Jenkyn

Group President-Global Markets, Visa, Inc.

Absolutely right.

A

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

So, let's talk about North America. You've had prior experience as the Head of North America. And if we look at in the US, at least on our estimates, someplace around were penetrated – someplace between two-thirds and three-fourths of consumer spend is on some type of card or electronic transaction. And one of the questions we've been getting a lot recently is, are we reaching the point of saturation here in the US and North America generally? How are you thinking about the go forward drivers of growth in the US and North America on top of just normal PCE growth?

Q

Oliver Jenkyn

Group President-Global Markets, Visa, Inc.

Yeah. It's a great question. So, I ran North America for a decade. I wish I had another decade because the job is just not done. There's so much growth still in North America and I'll focus on the US. Huge opportunity for growth, it's just different growth. So let's start with consumer payments. If you look at the opportunity in consumer payments in Sub-Saharan Africa, Southeast Asia, in those sorts of markets it's like, what I'll call, top of the funnel. So it's, get infrastructure, get awareness, build a brand, get some rudimentary credentials in someone's hand, have some acceptance for where they can use it. That's what consumer payments growth is.

A

But in markets like the United States, you're just further down the funnel. And so, you're not just trying to get a credential in someone's hand, you're not just trying to get a little more acceptance. You are doing those things as well. What you're really focused on is usage. And so, the issuers have done the hard work to get a card in someone's hand on their phone, loading the card-on-file situation. They built it. They built the technology. They built the value proposition. They've underwritten your credit. They've gotten you to activate it, you're using it. The trick in the United States is, you get them to use it four or five more times a month, in one or two more merchant categories.

And the unlock for a market the size of the United States is enormous. And so what we're focused on at Visa is, getting that usage up. So for example, tap to pay in the United States. You go back a few years ago, tap to pay contactless payments was nowhere in the United States. It was everywhere else in the world; it was not in the

United States. And we made the investment. And now, it's almost 50% of all face-to-face transactions, which is amazing; and it's just going to continue to grow on the S-curve.

But the good thing about that is, it changed consumers' behavior because they started using it in places that they were otherwise using cash because it's quick and fast and simple and easy and secure. The pandemic helped in that as well because people didn't want to be touching cash with one another. That made a huge unlock and that's going to continue to happen.

We also have in our advisory services, what we call, a portfolio health check, where we – our consulting team will sit down with issuers and they'll do detailed segmentation analysis to try to find customer cohorts that aren't using their cards in a range of merchant categories or in ticket sizes above or below a certain amount. And then, we work with them to do campaigns to activate it. So, the difference in markets like the United States, United Kingdom, Canada, Australia that are more advanced.

The problem you're solving in consumer payments is a different problem than Sub-Saharan Africa or Southeast Asia, but the leverage is so amazing when you get it right. So again, I wish I had another decade running North America to get that done because the job is just not done. And then you've got B2B payments, you've got Visa Direct where we're just scratching the surface. The value-added services opportunity into these players is completely different in the scale they operate at.

So, I'm glad people think that we've made good progress in the United States because maybe that means a decade I had working on it made progress, but I don't feel that way at all. I feel that we've got so much work to do in North America to capture the opportunity, and that's a good thing. We want to have a lot more opportunity even in one of our most sophisticated markets.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Q

Yeah. I like the example of tap to pay because a lot of times we'll get questions from investors in particular like, well, how much more efficient or how much more can you encourage people to change their habits, et cetera? And that's always my question is like, do you swipe, dip or tab? And inevitably now, it's 99% of the time people say [ph] a tab. And I'm like, (18:18) it's not that much different in time, but just that little bit everybody realizes compound.

Oliver Jenkyn

Group President-Global Markets, Visa, Inc.

A

And I would just say, I won't quote the number because I...

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Q

Here you go.

Oliver Jenkyn

Group President-Global Markets, Visa, Inc.

A

I won't quote the number because I'm not sure I've got it completely right, but I just directionally say it. In 2019 when we were really – pre-pandemic, we're really pushing contactless payment. If you looked at the percent of transactions under \$10 that were paid in cash, it was unbelievable. And it was like a dagger through my heart

because people just kept using cash in that space. And part of tap to pay was, you don't need to use cash. Those milliseconds that you're saving with a quick tap was a huge unlock for those sub-\$10 transactions.

Anyway, I won't quote the number, but it is a big percentage and we've really attacked that. And that changes how people behave. It changes their muscle memory and their habituation. So, they start to use it everywhere else as well. Probably the biggest unlock for contactless payment was MTA in New York. And just again, the muscle memory that began to form.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Q

So, you highlighted in that response from North America a few things that I want to get into. But before we do – and this is more still very much a global question. Let's talk about competitive positioning of Visa. I mean, you operate in a competitive market. The competitive landscape can be quite different from country to country and region to region. So, how does Visa position itself to compete effectively around the globe, especially given the varying dynamics in different markets.

Oliver Jenkyn

Group President-Global Markets, Visa, Inc.

A

Yeah. That's a tough one. I mean, needless to say, it varies market by market. But I guess, the best way to answer this would say, even though it varies market by market, there's always a mix of five or six things that we always lean heavily on in competitive situations. People, strategy, brand, innovation, glocal, I'll explain that, and like technology/security. In some combination, it's always a mix of, I guess, that's six.

And so, people – I mean, we think we have the best people in payments in the world bar none. And at the end of the day, if you want to drive growth with a partner, it's people working with people. You might be leveraging technology and brand, but it's people working with people. And if your people can deliver 20% better work, you're going to have 20% better performance and that's a huge unlock.

Strategy, we're very transparent with our clients about what we're strategically focused on and what we're not going to do, and that resonates and that's important for them. Brand, we have the best payments brand in the world, I think, at long distance. And that matters to our clients and it matters to their customers. So, we lean heavily on that.

Innovation is important. When we do a deal with clients, they're picking a dance partner for the next 5, 7, 10 years. And they want to know that they're future proofed. They want to know that the person that they're partnering with is going to make the investments in innovation as a product roadmap that meets what they're going to need. And I think we win on innovation, we win on product roadmap.

Glocal is sort of mix of global and local. Our clients, as I travel around the world, they want a great – a strong center of global thinking from Visa, but they want their local leaders in Jakarta, Johannesburg, Tokyo. They want those leaders to be empowered to make decisions and getting that balance right is important. I think our clients are telling us [ph] we've got it about (21:43) right. Maybe a little bit more empowerments required, but I think they got it about right.

And then, of course, technology and security. We carry tens of thousands of transactions every second. Every one of those is important to our clients and their customers. Our technology is best-in-class, and the security that comes with it is best-in-class. So, we lean on a different mix of all those things to win. But I will just say, in addition to that, for our bigger deals, every single one of them is bespoke. We listen to our clients, we listen to the

countries that they're in, and we listen to what they're trying to achieve in that country. And we tailor our offer to what their priorities are. And they're not as similar as you might think.

Sometimes they need help with a marketing piece, sometimes they've got a major risk problem. Sometimes their innovation roadmap is a disaster. Sometimes they want – there's a range of things and we really try to tailor it. Sometimes it's economic and financial, but less than you think. It's usually feature, function and capability. So for our bigger deals, they're really quite bespoke and tailored. And for me, I spend probably 40% of my total time in commercial deals, partnerships with clients. And it's not like deals negotiating a basis point here, a basis point there. It's structuring long-term partnership agreements with some of our most important clients around the world, because that's really, really an important part of what we do. But that's probably the best I can do on that.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Q

So, I want to talk about value-added services. You mentioned that as one of the levers. And certainly that's an area that gets, I would say, an increasing amount of attention from investors, et cetera. And how are you thinking about Visa's opportunity within value-added services across different markets? And how should we think of the growth profile of that business versus consumer payments?

And maybe I'd ask you, how much opportunity is there for value-added services outside of the payment flows that Visa is helping facilitate directly. And I ask the question or ask that part of the question because earlier today we were hosting one of the companies that's a big provider of software to banks and financial institutions. And they were saying that, they've seen a massive increase in ACH-related fraud. And particularly, as even [ph] we source (24:00) the initial volumes on things like FedNow and the RTP system generally that they're seeing increasing.

And so, that's something their banking customers are asking about. So, I'm just kind of leaving the floor open to talk a little bit about value-added services and the ability, what is that as a driver? How much opportunity is there in the direct Visa payment flows, but also outside of that?

Oliver Jenkyn

Group President-Global Markets, Visa, Inc.

A

Yeah. This is a great question, and this is worth a couple of minutes. All of that question and the sub-questions are all great. But let me just first level set on the importance of that as a key long-term lever of growth for Visa and the strategy behind it.

Payments is hard for our clients and it's getting harder. The investments they need to make in keeping their digital platform up to date, the feature and functionality that they need to meet the needs of their businesses and consumer clients, it's getting harder and harder and harder and expectations are going up and up and up.

And so, what we're saying to our clients on value-added services is, if you've got 40 things in your development queue that you need to get done to keep up in payments, give 20 of them to us. Give us the boring stuff. You keep the stuff that's going to differentiate you, but give us the other stuff, give it to us. Free up your CapEx, free up your development queue, give that stuff to us and we'll take care of it.

And we're finding an extremely receptive audience, because a lot of these folks are saying, I can't work with all of these multiple players out there. I trust you. I've got a relationship with you. I've got a technological connection with you that I can consume your APIs through the very secure connection we've got, and you're a trusted service provider. In fact, for many of our clients, we're one of the most important partners they have across the whole

bank. And so, that trust provides an open door for us to sell value-added services if and when we do a good job. So, that's something we're incredibly focused on.

Obviously, as you know, we've got five types of value-added services, the services for our issuers, processing, loyalty, et cetera, for our merchants and acquirers, identity and risk solutions, advisory services and then open banking. Those are all of the elements. There's great pull on all of them. What I would say is, we're having great success in deepening our relationships with our clients. So if you look at our top, roughly 250 clients, the number of solutions that they're taking from us is about 22, up about 8% from a year ago. If you look at the rest of our total population, it's about [ph] 11% (26:38). We're growing and deepening and we still have a huge universe to continue to push on.

The second thing I'd say is, we're investing. The Pismo acquisition gives us fantastic capabilities and a real pain point for our clients and having cloud native best-in-class processing capabilities for our banks. But I'll also call, since you mentioned it, RTP Prevent. So, this is taking some of our value-added services that we've built for risk and fraud on our network and offering them as a value-added service for non-Visa transactions to domestic RTP A2A networks. Because these RTP networks – I think what you said about an increase in fraud, that's only going to continue because running a payments network is hard.

And so, we can provide some of those value-added services as and when appropriate, to solve some issues for other payment networks and money moving solutions that are out there. So, I think value-added services is a critical growth driver for us. Value-added services and new flows will grow faster than consumer payments. We love the growth rates of all of our business lines, but they'll grow faster. And I think we're just getting started and I think we're pushing on an open door with our clients around the world on this.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Q

And you just mentioned around the RTP, quickly can you touch on FedNow and – the recently announced partnership with FedNow, program for real-time payments. How is that evolving and where do you see real-time payments gaining traction either with consumers or businesses? And what can you do from that FedNow relationship to lever into – to other opportunities around the world?

Oliver Jenkyn

Group President-Global Markets, Visa, Inc.

A

Yeah, let's talk about RTP generally for a second then I'll come back to FedNow, just so I can put it all in context. I mean, RTP growing around the world, real-time payment networks, not new, but I think there's still a lot to play out. I'll maybe make three points, just general points on RTP before we get into FedNow in the US.

The first point I'd make is, being a payment network is more than just moving money account to account. Being a payment network is auth, clear, settle, security, reliability, cybersecurity, fraud, dispute, resolution, customer service, brand trust, et cetera. If you want to run a payment network, it's all of that. And so, how RTP will unfold depends on the investments that are made in providing that full suite of services of being a payment network. That connectivity account to account is one piece of a much larger puzzle, point one.

Point two, how RTP networks evolve in a country depends on what problem or whether there's a problem that needs to be solved. The existence of an RTP network in and of itself, not that interesting. Understanding it within the context of what's happening in a country, that is interesting. So, in some markets like the UK where an RTP network has been around for a long time, that market's really well served by payments, existing payment

networks. So, it ended up not really taking off and being more of a B2B, maybe bill-pay play, not really solving a problem.

Then you look at PIX in Brazil, there were problems that were not solved in nano merchants and for people outside the financial service. And it took off greatly. And so, again, it depends on whether RTP in a local market is actually solving a problem. And the third thing I'd say about RTP which we kind of already touched on is, Visa is delighted to work with RTP networks around the world to offer value-added services to help them on the journey that they're on. And so, those are just some general things about how we think about, about RTP and the coexistence and the partnerships with RTP and how they might evolve. It's still early days.

And then, on Fed, listen, in the United States we talk to FedNow, we talk to TCH. As and when appropriate, providing services to help them on their journey is something that we're happy to do. With FedNow, some – a client can initiate a real time payment transaction through a single connection with Visa. And there's other conversations that we'll continue to have, I'm sure, with these players. So, we'll watch how it all unfolds. But it's something that's a very live conversation around the world.

Last thing I'd just say is, every single country in the world where Visa operates has this part of their long term strategic plan, RTP A2A, and non-card components to the strategy just to make sure everyone's thinking about how to partner, how to compete, how to work together, how to coexist. So, it's very central to what we do.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Q

I really appreciate the way – particularly, back on the RTP point. You rattled off everything that has to go around the actual movement of money. One of the questions I get all the time is like, why aren't people just going to move account to account and you're much better at rattling off those eight or nine things [indiscernible] (31:37) than I am, so I'm going to go back and listen to the recording, so I can practice saying it that quickly. But I think that's a really important point that oftentimes is lost on people like, oh, it's not just moving the money; am I sending it to the right place? What happens if I send it to the wrong place, et cetera?

Oliver Jenkyn

Group President-Global Markets, Visa, Inc.

A

I mean, just on that. If you think payments is easy, go sit in JPMorgan's call center.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Q

Right.

Oliver Jenkyn

Group President-Global Markets, Visa, Inc.

A

Right. Go sit in the disputes processing arm of a range of companies including the services. It's hard. Solving those things are what consumers and merchants expect. And when you're carrying tens of thousands of transactions a second, what do you do about the exceptions? That's hard.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Q

So, I want to hit on a few more points in our last few minutes here. Cross-border travel. I feel like it's been interesting because since June of 2020, one of the key things that I've said is like people always ask just like,

where's the upside in Visa estimates. I'm like travel estimates are too low. I've been saying that every quarter since June of 2020, and there are various reasons for tracking that. But how should we be thinking about ongoing travel strength, the ability and durability of that? And where we should think about that settling out ultimately, at least in your planning processes?

Oliver Jenkyn

Group President-Global Markets, Visa, Inc.

A

Yeah. So based on our data, cross-border travel continues to be healthy. Growth rate year-over-year through the end of our fiscal Q1 was 19%. Cross-border was 142% through Q1 relative to 2019 levels. Strong areas of performance are in and out of LAC, in and out of Europe, in and out of Middle East, Africa, and outbound from the US. All of those corridors are between 145% and 170% of 2019 pre-pandemic level.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Q

Pre-pandemic levels of spend?

Oliver Jenkyn

Group President-Global Markets, Visa, Inc.

A

Spend.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Q

Right. Right.

Oliver Jenkyn

Group President-Global Markets, Visa, Inc.

A

Yeah. Yeah.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Q

Travel spend, yeah. And the reason I bring that up because if we actually look at passenger volumes, some of those are barely getting back to 2019 levels. So,...

Oliver Jenkyn

Group President-Global Markets, Visa, Inc.

A

Right. And so, the areas that we're still trying to – are still recovering on cross-border are US inbound. I assume in part because of the strength of the dollar, but US inbound, towards the end of our last fiscal year it got back to pre-pandemic 2019 levels and it's continued to recover from there. But still more room to grow, and in and out of Asia and specifically in and out of China, which are both still below pre-pandemic levels, 2019 levels.

Japan outbound is also got room to grow because of the strength of the yen or lack thereof. But we think there's still growth recovery in those really important corridors and that'll continue to drive growth. But back to the areas of strength, those quarters I second ago, they are settling in at growth rates that are a bit above pre-pandemic levels. And by all the data we're seeing, continue to hold quarter-to-date – Q2 quarter-to-date through February 21. Still that same stability, that same strength. So from our planning point of view, we're still seeing that consistency.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC



No. I think that's a really interesting point. I think that's probably one of the bigger questions is like, where do those growth rates settle out at? But once again, when talking to investors, they always have this view that, oh, they're worried the growth rates going to drop to zero or something low-single digit or something. And it's interesting if you go back to travel as a general category, it tends to exhibit a little less cyclical than people imagine. And so, going back to recession after recession. So it's kind of an interesting area to continue to track.

B2B payments. Can you talk about this – Visa has talked about this as an opportunity for a long time. Particularly, there's opportunities as you highlighted in some of your earlier comments today. What are your priorities in B2B payments specifically, including B2B Connect?

Oliver Jenkyn

Group President-Global Markets, Visa, Inc.



Yeah. So again, B2B, part of our sort of CMS commercial and money movement lever, which we think is huge opportunity. There's new flows, part of our business. Capturing payments outside, of course, B2B; B2b, P2P, cross-border P2P, all of those flows, huge opportunity. We are incredibly bullish on B2B payments. B2B payments, \$145 trillion last time I looked in terms of opportunity.

We think about it near term, medium term, long term. Near term is really about cardable spend. That's about \$20 trillion of \$145 trillion, small business, middle market, large corporate, purchasing card, virtual card. This is spend that is capturable on our current card products. And our focus there is investing more behind our FI clients and the FinTechs that are committed to that space.

Our focus in cardable is about taking solutions that have worked in markets like the US and porting them to markets in other parts of the world so that they're there from the beginning, as those markets grow from a cardable space. And our focus on cardable is also a vertical strategy. As you get into bigger B2B spend, the feature functionality that's required is more specific.

So if you're in agriculture, healthcare, construction, you need to build specific capabilities, so we have a vertical strategy to go and get that. But we are just getting started in terms of the opportunity in capturing cardable B2B spend. And then if you go medium term and longer term, you start solving harder problems. And so, in the medium term, you get to B2B Connect since you brought it up. B2B Connect is our solution for cross-border B2B payments.

So this is large transaction size, low velocity, known counterparty transaction. We believe we built a better network solution, less friction, more efficiency, better data, greater transparency, lower cost relative to the alternatives; and we're investing hard behind this. It's a medium-term solution because it takes a while to build a global cross-border network.

But in FY 2023, we increased the number of participants on the network by 70%. And I think this would be a big unlock when we get there. And then of course, there's APAR and other investments we need to make, but winning in B2B is going to be a huge part of our growth going forward.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC



And the last question in the last minute here, I'd be remiss if I didn't ask, about how we should think about Visa's relationship with Capital One and how equitable or how you think about it potentially evolving with their announced acquisition of Discover if that ultimately goes through?

Oliver Jenkyn

Group President-Global Markets, Visa, Inc.

A

Sure. So, I think there's still a lot to play out as that acquisition unfolds. What I would say is, Capital One is and continues to be an important long-term partner of Visa. Our relationship with Capital One is primarily on the credit card side and affluent small business credit cards. The debit part of the business is really MasterCard. We have Interlink on the back of some of those cards, but debit is really MasterCard's business.

Again, if you look at the numbers of our relationship with Cap One, it's a very small single-digit percent of our payment volume and revenue. But again, most importantly, our focus right now is on continuing to serve our joint clients between Capital One and Visa. And then the last thing I'd say with respect to the Discover component is that, Discover is a very meaningful competitor for Visa. And Discover with Capital One will be an even stronger network competitor, and we welcome the competition. Competition makes us better and we welcome the competition. So, that's sort of where we are on that dynamic situation.

James E. Faucette

Analyst, Morgan Stanley & Co. LLC

Oliver, I appreciate it. Time went fast today, but really thank you for joining us here at Morgan Stanley TMT Conference. Thank you.

Oliver Jenkyn

Group President-Global Markets, Visa, Inc.

That's great. Thanks again. Take care. Thanks, everyone.

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