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**Visa, Inc.** (V)

Wolfe Fintech Forum

## CORPORATE PARTICIPANTS

### Christopher Suh

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

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## OTHER PARTICIPANTS

### Darrin Peller

*Analyst, Wolfe Research LLC*

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## MANAGEMENT DISCUSSION SECTION

### Darrin Peller

*Analyst, Wolfe Research LLC*

So, first of all, good morning again and thank you, everybody, for being here again. I'm Darrin Peller from Wolfe Research, covering fintech and payments. Really happy to have Visa with us. And I think many of – some of you have met before with Chris. Some of you not. But he's been now – well, how long have you been CFO?

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### Christopher Suh

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

Yeah, since August.

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### Darrin Peller

*Analyst, Wolfe Research LLC*

So about nine months actually in the seat. And he's been great. We've had opportunities to meet with him with investors before and really learn about the business even more from someone who's been there only nine months. So with that said, thank you for being here.

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### Christopher Suh

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

Appreciate it. Thanks for having me.

## QUESTION AND ANSWER SECTION

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Look, I just said it's been about nine months. So what have been your biggest learnings so far as part of the company?

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah, it's been about 2.5 quarters now. It's been great. I've really loved my time here at Visa. For those who don't know, I'm new to the industry, but I spent almost 30 years working in tech, most of it at Microsoft. And so it has been a new adventure for me. It's been great, a really great company. I think we have a great market position and really great people, earnest, sincere, hardworking, great culture and the opportunity in front of us, I think, has never been bigger across our growth pillars. We're really focused on making sure that we could build the company and make good decisions to ensure that we have continued sustained success for the next decade.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Yeah. Any challenges you faced or any found?

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Well, as I was saying, I do think that we have a huge growth opportunity in front of us and in many ways bigger than we've ever had before across consumer payments, across value-added services and across new flows. And it's really now incumbent on us as a management team to make really good decisions, to prioritize our investments, to think about what are our biggest bets that we're going to go after to make sure that we continue to see the success that we've had.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Sure. You've recently stated just going to trends now that there's been pretty stable, stable trends versus your fiscal first quarter calendar, fourth quarter results. So I think you said through February 21st and your most recent data that it's been pretty stable.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Does this reaffirm your conviction that January's decel was more about more weather related and not anything in the consumer?

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah. You're right. I did give an update recently. It's probably for those that haven't heard. It's probably worth just reiterating a...

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Sure.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

...little bit of that. So at this point, at the point that I gave the update, which was around the middle of Q2, so through February 21, we said payment volumes year-on-year growth through February 21 had been relatively stable to what we saw in Q1. That applies in our payment volume business, that applies in the US in most major markets around the world. I also reiterated that on our cross-border business, we also saw relative stability in the first half of Q2...

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Sure.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

...to what we saw in Q1. So that all said, I guess that does mean – thankfully, the weather-related issues did abate and...

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Right, January was softer.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

But in order for it to be stable with the quarter, it obviously came back up after Jan, February. Yeah.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Correct. Correct. Correct.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

And any other insights you're seeing in terms of consumer behavior in the first part of the year?

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah. I just – consumer continues to be resilient and we continue to see very stable environments across different spend categories, across different geos. And so that makes us feel real good.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

You talked about cross-border travel hopefully being 20%, right, as part of a 20% plus growth for fiscal 2024. I think it started off at about 16%...

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

...when you think about where we've been in the last couple of months, right, last few months. Help us understand what gives you the conviction in the 20%?

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah. Let's maybe break that down a bit...

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Sure.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

...because cross-border is such an important part of our business. I'll first start by reiterating our Q1 results. Total cross-border volumes grew 16%...

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Right.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

...as you said. But within that, travel grew 19%, which is 142% index to 2019. And e-commerce also had a good quarter coming in, better than, than we expected. And so that's sort of the two pieces of cross-border. Within each of the areas and given this sort of comes back to what we're seeing now in that stability, by region, you see certain regions that have continued to be strong, better than pre-pandemic levels. And so you think about Latin America, Europe and CEMEA as three specific areas that are continuing to grow at – currently at 145% to 170% of 2019 and continuing to see sustained strong travel. There's two areas when we gave the planning assumptions

that referred to for the full year back in – at the start of the year, back in October, there were two areas that we said were key to our continued growth through the year that we needed to see improvement in.

[indiscernible] (00:05:05)

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**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Right. That was inbound into the US and that was inbound and outbound out of Asia. And as we talked about at the end of first quarter, we did see improvement in both of those areas in Q1 relative to Q4 with the US inbound improving a few points and then Asia in and out growing plus 3% and plus 4% relative to the 2019 index. But that said, that was a little bit slower than we saw in the Q4 period. And so those are some of the puts and takes we saw in the total cross-border business with e-commerce doing better and travel being a little bit light. In Asia in particular, we talked about Australia and Japan being part of the reasons why the recovery in AP maybe slowed from Q4.

You know, when I think about it, it really actually highlights the strength and durability and diversification of our business because total cross-border in great shape, the mix is maybe a little bit different through the first part of the start of the year. And so, when we look at the total cross-border business, we feel really good about it. We'll have an update. Obviously, we're a few weeks away from the end of the quarter. We'll update you on how the rest of the quarter played out and likely update our assumptions for the rest of the year in terms of travel.

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**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Okay. Putting that all into perspective for a minute. I mean, you commented on the call also about seeing that low-double-digit payment volume growth for the year...

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**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah.

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**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

...overall. Right. And when we think about that in context, to US growing about 5%, international about 11%, it still doesn't really work out quite to the double-digit range. I mean, transactions might be better, but help us understand why you're confident there, too.

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**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah. Good. Yeah. This again goes back. You know, we shared – at the start of the year, we shared a number of planning assumptions for the full year. And one of them, as you said, Darrin, was our expectations around full year driver growth.

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**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Yeah.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Payment volumes, I think, is what you're referring to. It's helpful at least the way we think about it to break that down into transactions and average ticket sizes...

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Sure.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

...because those are the kind of the two elements when you do the math. Transaction growth, in the first quarter of the year grew 9.4%, healthy transaction growth across the board and kind of just south of the double-digit mark that we saw. Our teams, our client facing teams in the regions around the globe continued to execute really quite well. We've seen continued growth in transactions outside the US, inside the US. LAC is a great example of that.

We've grown our processing share there from effectively zero a few years ago to – we expect to end this year at 80% share processing in Latin America (sic) [Colombia]. And so the regions continue to execute really well. And there's a number of growth initiatives that we have that are in play that we're seeing good traction on that we anticipate will take that 9.4% we saw in Q1 and we'll see a bit of an acceleration into the second half of the year. So that's part one.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Yeah.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Part two is then what's happening on prices, inflation, all these things that have impacted ticket sizes. Over the last few years, it's been quite uneven. Let's separate out US versus rest of the world for a second. In the US, our data's shown over the last – that up and down I talked about, but over the last year or so, we've been in a bit of a down period. Fuel – the decline in fuel prices. The moderation of inflation over the last year has led to average ticket size in the US being negative over the last year. Just cyclically, we go into the second half, our second half of the year, we're seeing a more stable inflationary environment. And we continued – and we're lapping those sort of the down period, the trough that I referenced.

And so our analysis would say that we get to flat to positive in US ticket sizes in the second half of the year, again combined with what we're seeing on transaction volume. And then internationally, there's a number of markets that inflation has been high, continues to be high. Argentina, for example, is one that stands out and that will continue to – will continue to persist through the second half of the year. And so when you add up, when you sort of do the math with what we view as a small tick up in transaction growth with a better ticket size environment, we do expect double digit in payment volume growth in the second half.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Okay. So to your point on second half, I mean, your guidance implies an accelerated growth rate for overall revenues also for the company in the second half versus the start of the year when you're talking about 10% full year, low double.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Later saying, exiting the year – it would imply based on the start. Exiting maybe 12% is what we've calculated. Is that indicative and if it is of the normalized growth profile for the company, maybe help us with building blocks. How are you getting to that point in terms of breaking down payment volume trends you'd expect medium term, VAS contribution to growth?

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

What are you seeing in the company that can answer that?

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah. Talked about the drivers and what we expect with transactions...

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Sure.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

...and ticket sizes that are underlying our core consumer payments business. There are – let me break it down a little bit differently. Meaning, talk a little bit about the half one dynamics and the half two dynamics on revenue because that's implied in the revenue guide. To your point, half two, we lapped some of the – we had some grow over things in the first half of the year, namely with FX volatility, with cross-border businesses continuing to normalize.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Yeah.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A



And a number of other sort of one-time things that benefited a year ago, that impacted the half one growth rate on revenue. The drivers were fairly normalized but outside of cross-border, but it did impact revenue growth in the first half. And so we lap those things and second half becomes a little bit more of a normal year-over-year growth number. In terms of – but then zooming out and saying where are we in terms of our theory of growth, if you will. I do think about it across our three growth pillars. I think about consumer payments. Certainly, there's still a massive amount of cash and check globally left to digitize still.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Sure.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

And that continues to be a tailwind for us where we're driving more or the three levers that we've talked about. Consistently we're growing credentials. They grew 6% in Q1. We're growing acceptance locations. They grew into the teens in Q1. And we're driving engagement on things that are great for a digital cash payment like Tap to Pay and so the consumer payments business with large amount of cash and check out there, and the actions that we're driving, I think, continues to be a real source of growth for us.

Value-added services that you talked about and happy to talk about that more. \$2.1 billion in Q1, growing 20% across a very broad spectrum of services and still plenty of runway ahead. And then our new flows business, which is really about expanding money movement from our traditional consumer to business at – transfer to all sorts of other forms of money movement, B2B, P2P, G2C and that's a \$200 trillion market opportunity in front of us, where we're still quite early days. And so, as I think about the contribution of growth across all our three growth pillars, I'm very, very optimistic.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Yeah. I mean, look, the natural mix shift to more new flows and value-added services growing well into the double digits, 20% in some cases. It theoretically should drive an overall acceleration to the overall business as long as consumer payment side holds up at what we've been seeing, right, the high-single-digit rates more or less.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah. I mean, mathematically, as you said, consumer – value-added services and new flows together are growing into the teens and above versus the more stable growth rate in consumer payments and...

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Right.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

...if that continues, as we certainly anticipate that it will, the mix shift will certainly be in our favor.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

So just honing in on that a little more, I mean, value-added services has become a very important...

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

...and much bigger part of your business now, as you mentioned. We've talked about issuer as a big part of it – I am talking about issuer processing, acceptance, risk and ID advisory...

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

...data analytics. Maybe just help us understand what you see as the most exciting opportunities in VAS that you're investing most of your capital and time in.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah, Darrin, you did a great job of sort of outlining what's – how diverse that business is. It's – we talk about value-added services as if it was and sometimes we talk about it like it's one business. It's many different...

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Yeah.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

...products and services. We tend to categorize it around five lines of business. The first one is issuing solutions, really helping our issuing partners. We think about DPS, our debit issuer processor, card benefits. That's part of that revenue. Our Buy Now, Pay Later services are part of that issuing solutions. We've seen tremendous DPS alone in 2023. We processed \$2.5 trillion in authorizations in the debit side for DPS alone. And so that's the big part of our business in issuing solutions. The second is around acceptance solutions, CyberSource.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Right.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

It has been a big part of that as well as our fraud services. We've done a tremendous amount of business both in the US and outside with the acceptance solutions. That's another significant portion of our business. Third would be risk and identity. The real highlight in risk and identity is VAA and VRM. That's Visa Advanced Authorization, Visa Monitoring. Those businesses have had tremendous success helping our clients. We did a study last year. VAA and VRM together prevented nearly \$30 billion of fraud between mid-2022 to mid-2023. Those continue to grow at healthy rates both in and outside the US. Let's see that's three.

The fourth one is advisory. That includes both consulting and marketing services. This has been a real fast growth business for us. We've done over 3,000 (sic) [2,000] engagements over the last year, helping clients deliver billions of incremental revenue opportunities for them. And then the fourth (sic) [fifth] one is open banking, which is probably the most nascent among the five lines of business...

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Yeah.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

...primarily leaning – leveraging our Tink acquisition, but continuing to see – early days but continuing to see growth across those five businesses. So it's a super diverse set of businesses. Each are succeeding in their own ways and an area of the business that we're very excited about.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

And these are – I mean, it seems like it's still relatively early days for a lot of these. I don't know you kind of ranked which ones are growing the fastest or have the most opportunity.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah. I tried to highlight within each of them some of the...

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Yeah.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

...some of the big parts of the business. They are growing differently. Like, I think about if you really sort of – I talked about it in five businesses, but we really think about that in terms of how we go to market with these things. There's a couple of ways to think about. Like, on the – I'll start sort of on number four, like the advisory business. That's really a people powered business.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Sure.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

We see plenty of demand. It's really for us to pick where we think that we can add the most unique value. It's investing in people and building out that part of our business globally. There's a whole host of products and services that are more platform-like solutions. If you think about DPS or CyberSource or Verifi.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Yeah.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

These are businesses that we invest in innovation. We invest in R&D. We invest in enhancing the services that we offer, working with our clients. And so that grows both with our transactions, but also there's a unique opportunity to grow outside of VisaNet transactions and grow in a card in a network agnostic way. And so we're investing there as well. And so, you have people powered, you have product innovation, and then, of course, we've been somewhat acquisitive in this space as well. I talked about a couple like Verifi, but we continue to think about expanding the solution set that way.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Yeah.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

We recently closed the Pismo deal as an example.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Yeah, I want to ask about that. I mean, Pismo was a good example of an acquisition that enhances issuer, I believe, and it certainly moves you more internationally...

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

...in that category, too. So what's your goal on the issuer side for a moment and maybe just through M&A and value-added services?

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah. Yeah. We're excited about Pismo. That transaction closed in the first quarter. What is Pismo? Pismo is a cloud-native issuer processor for debit, for credit, for commercial. It's global, as you pointed out, in its core

banking. And so, it really complements the set of services we have. DPS is primarily a debit issuer processor in the US.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Yeah.

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

How does something like Pismo come to fruition within Visa, maybe even backing way up for a second and talking about kind of our thought processes and the logic, maybe the industrial logic behind Pismo or any other acquisition that we think about. You know, these things are most typically born from our engagements with clients. We talk to our clients. We understand their needs. We understand what services that we can uniquely provide. In the case of something like Pismo, many of our clients were talking about their cloud transformation. They're modernizing their stack, also thinking about global expansion. Those are all areas that they look to Visa as one of their most strategic partners to help solve some of those solutions. We recognized in Pismo a best-in-class technology and service that filled a lot of those needs. And we're very complementary to what we had within Visa. And so, together, I think we have a really powerful asset there.

A

**Darrin Peller**

*Analyst, Wolfe Research LLC*

We had a panelist, Jim McCarthy, who was an ex-Visa guy talking about issuer processing yesterday in a panel with us. And he – in general, the thought is maybe Visa is also doing these and investing in issuer processing so that, A, it could bring other Visa opportunities around the world that maybe the world wasn't ready for before you guys did that. Said it another way, the technology...

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

Yeah.

A

**Darrin Peller**

*Analyst, Wolfe Research LLC*

...needs to improve in some markets for you to introduce some of your offerings.

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

Yeah. I think that's true. I think of it a couple of different ways. You know, Pismo certainly one. Another acquisition we did that we announced. It's not closed yet. We announced that we're taking a majority stake in a company called Prosa...

A

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Yeah.

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

...in Mexico, which Mexico is an important market. They're very, very cash heavy.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Yeah.

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

And we've not been able to process domestically there historically. And so this gives us the ability to go do that. And to tie it back to the question you're asking, whether it's Pismo, whether it's Prosa. I think getting in and being part of the core banking, part of the issuer processing business is good for our clients, good for the markets, but also it's good for us in the sense that it gives us the ability to really expand our offering set with value-added services, if you think about all the things that we talked about across the five lines of business in VAS and the platform solutions like portion of that business. There is a very heavy, strong motion that attaches to our transaction growth.

A

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Okay.

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

So it's a great opportunity for us to grow value-added services, which again is good for the whole ecosystem. You think about tokenization. You think about fraud, protection and dispute. That all accrues to a healthier ecosystem over the long term.

A

**Darrin Peller**

*Analyst, Wolfe Research LLC*

It sounds like you see VAS in general and some of these opportunities being able to sustain pretty strong rates. I mean, I think that's what you said.

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

Yeah, we're very optimistic about that.

A

**Darrin Peller**

*Analyst, Wolfe Research LLC*

All right. New flows, we will shift there for a moment. Maybe just help us rank or understand the greatest opportunities you see to penetrate what was previously non-carded volume. And I'll just turn it to you.

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

Yeah. New flows, we've talked about this enormous opportunity that we see with B2B and also the other part of the business is around Visa Direct. Those are kind of the two biggest...

A

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Yeah.

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

...pillars within our new flow business. Visa Direct for us is really our – it's the best example of our network of network strategy. We continue to see very high transaction growth, 20% again in Q1. It's really about expanding again money movement to beyond sort of consumer to business, to B2B, to P2P primarily, which is the use case that we see primarily. With Visa Direct, let me again zoom out a little bit and talk about Visa Direct, the set of services enables that, that expansion of money movement. We have more networks or capabilities. We work with 70-plus different partners within that.

A

We work with card networks. We work with 10-plus RTP networks. It's really quite expansive from that standpoint. The use cases, P2P has been the primary use case that we see and that's done really well. We partner with many other companies in that regard, but we're also expanding into cross-border. We've announced deals with Remitly, with Western Union that's going to give us a meaningful opportunity to grow the cross-border opportunity. We continue to invest in new use cases.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Yeah.

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

We've talked about gig economy payout. We've talked about merchant settlement. Most recently, we've talked about the partnership that we've done with Meta to enable content creator payouts. And so, we're seeing great use case expansion. We're seeing great partnership and that business continues to grow really well.

A

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Cross-border. I want to touch on that for a minute because, again, you had 20% growth in transactions on Visa Direct last quarter and I think it was 65% on P2P cross-border transactions using Visa Direct. So maybe just what would you say is the biggest focus of the Visa Direct initiatives broadly? Is it more – I mean, cross-border tends to come with better economics.

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

Yeah. It totally comes with – very, very true. You know, if I think about, again, historically, P2P has been the primary use case. We've talked about many of the partnerships there and the success that we've seen there. Cross-border for us is a growing focus area. We do cross-border in Visa Direct. We do cross-border with larger ticket items through B2B connect, which is a little bit outside of Visa Direct. It is higher yielding. We're seeing strong growth across cross-border as well. And so that is a focus area for us and it's yield accretive across our core and new flows business.

A

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

And when you think about other types of systems and real-time networks around the world, whether it's in Brazil and...

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Pix or its, I mean, even just RTP or FedNow. I mean, Visa Direct tends to offer services that can usually do similar things to what RTP is trying to do. Right?

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Help us understand how you see the competitive landscape around that.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah. It's interesting. We've certainly seen RTP networks growing, especially in certain markets. But here's how we think about it. Like if you zoom out again, RTP networks have existed for a long time in many markets with varying levels of penetration and success. You know, we tend to think about and we've worked with them, by the way, in many of these markets for a long time, RTP market. I think RTP networks have uniquely done well in recent times in places where there's an unfulfilled market need. And so the ones that I think you're referring to are places like India and Brazil. And you see – in particular, you're seeing sort of an underserved market need. And in India, for example, in micro transactions, that's an area where the existing payment ecosystem really wasn't serving the needs of the consumer and of the market. And so, you saw something like UPI growing.

Well, we're doing really well in India as well. We're continuing to grow debit above the micro transactions. We think broadly anything that brings more people into the financial payments system is good for the ecosystem broadly. And so we're continuing to see growth above micro transactions in debit. We're continuing to see growth in credit. We're continuing to see growth in affluent. And we have an opportunity to continue to bring more people into the ecosystem and graduate them up.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

That's great.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A



And so that's been part of our strategy and our success in India and Brazil and other places like that. But it's also sort of instructive to think about what's the difference between what an RTP network is and what a payment network like Visa is. RTP networks are relatively simple account to account, but they're also permanent. They're one way. Network like Visa, it's a much more robust set of services that really provides all the safeguards that you may not see in an RTP network. And so we think that there's a lot of value that we bring. And again, it really is case-by-case dependent and market-by-market dependent. And we're continuing to see great success in alongside RTP networks.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Okay. Just to wrap it up on the new flows and Visa Direct for a minute. So Visa Direct, the main use cases in real world that we can kind of [ph] point to you're seeing (00:27:16) the most, probably what P2P is coming a lot.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

P2P.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Remittance, I guess, right?

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Maybe what would you say are the top four or five?

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Well, P2P has certainly been the most and that's where we saw the early success through the partnerships with fintechs and many other partners through the whole ecosystem. We are focused on growing small ticket B2B, cross-border remittance, other new use cases through all of the enablers that, that we've talked about, the big ecosystem.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Think payouts, right, insurance payouts. Things like that.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Insurance, like all the different use case – so it really is. So, again, think about like the ecosystem, the infrastructure where that requires that's underlying what Visa Direct can be. You have use cases. We have over 65 use cases. We have 500-plus enablers and we have thousands of programs, 2,800 different programs. And those programs are expansive into all the things that you talked about. Whether that's gig economy payout,

whether that's insurance payouts, merchant settlement, marketplace settlement. These are all places that we're investing in...

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Okay.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

...and we're seeing – they're smaller, but they're growing faster.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

One of the things I want to touch on before we wrap up is your Class B conversion that I think if we could just help investors, A, understand what's happening with it again...

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

...and then the dates to keep in mind now that your S-4 was filed.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

That's right.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

When can shares start beginning to convert?

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah. We're in the middle, the later innings of the process. We've been in a period of SEC review and commentary that we've had some back and forth. We filed an amended S-4 recently and now we're pending sort of further commentary and review from the SEC. Assuming we get through that in reasonable order and that there's no further sort of commentary that requires a further delay, we'll then open – we'll file a press release. We'll very publicly open the offer up. The offer will stay opened for a minimum of 20 business days.

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Okay.

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

At which time shareholders, B holders...

A

**Darrin Peller**

*Analyst, Wolfe Research LLC*

And that can happen when?

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

That can happen after we're done – after we filed the amended S-4. We're waiting for the SEC to...

A

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Yeah. Okay. That was a 50-day period or so like that...

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

Well, no, it doesn't have to be.

A

**Darrin Peller**

*Analyst, Wolfe Research LLC*

...in total.

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

Yeah. When we – typically, when we first started the process to file the S-4, we typically have seen historically that, that would take about 30 days. They came back with some comments. We filed our response back to them. And so now we're sort of in the final stages of that review.

A

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Got it. Got it.

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

And again, it just depends on if they have further questions or not. And assuming that, that we're in the – that we'll wrap that up in the next few weeks, then we'll have the opportunity to open the offer up. Again, we'll do that very publicly. We'll file a press release. We'll let everyone know. It'll stay open for a minimum of 20 days of business days and which time B holders have the opportunity to participate. Once that offer is closed, then there's a lock-up period where they can convert those shares and sell at one-third approximately in the first 45 days.

A

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Right.

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

Two-thirds in the 90 days and then it opens up.

A

**Darrin Peller**

*Analyst, Wolfe Research LLC*

And as a reminder, I think it's about half. It's \$48 billion more or less of the \$96 billion in total of Class B. That's even eligible for the whole thing, right?

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

That's the eligible. That's the eligible.

A

**Darrin Peller**

*Analyst, Wolfe Research LLC*

And we know a lot of that is hedged or a lot of that is – it's up to the banks, I guess, right?

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

Yeah. That's the eligible population.

A

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Okay. Okay. And then just last question is just on the regulatory front. I mean, I think you mentioned noticing a modest impact in fiscal first quarter to US debit volumes from the Reg II. Maybe just comment on that. I mean, what gives you confidence in Visa's differentiated product relative to the regional networks that obviously are trying to make some headway on the back of Reg II?

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

Yeah. Exactly right. Again, to reiterate, Reg II went to effect in the summertime, we've essentially had two quarters of experience. In the first quarter, we said that the impact was not meaningful. In the second quarter, I think I characterized the impact as modest...

A

**Darrin Peller**

*Analyst, Wolfe Research LLC*

Yeah.

Q

**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

...as you put it, but it was modest and it was stable since the beginning of the quarter. So that's a little bit of the fact pattern, just to reiterate. I think the thing that I go back to is the thing that Ryan talked about this in our last earnings call, he said, hey, listen, since the implementation of Reg II, it's given us an opportunity to really meaningfully engage with all of our clients and really highlight what we think is the value proposition of Visa and processing on our network relative to what might be competitive choices out there. And it just given us a chance

A

to engage with clients and have a very productive conversation in that manner. And that's been, I think, helpful in the grand scheme of things.

At the end of the day, merchants have choices. Cost is one of them, but they also understand capability differences between us and what is historically a PIN-based debit network. Dual message versus single message as a capability, as an example. That PIN-based debit networks don't typically support. And single – dual message where Visa does and dual message for those that are unaware is when the final transaction may be different from the initial ones. So think about tipping or...

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**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Right.

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**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

...hotels or things like this. And in an e-commerce world, it's very applicable because you can't bill till you ship. And so if you have to ship in multiple packages, then again dual message is very supportive of that versus single message. And so there are very much capability differences. There's liability differences. We've invested in tokenization and authorization. We've invested a lot in fraud protection in our network. And so, we continue to think our value proposition is differentiated and we'll continue to share our view with clients around the world.

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**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Maybe I'll have time for one quick question, but really, before that, I mean what do you see as the biggest goals for you for this year? What would be a successful year in your mind at the end of this year?

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**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

Yeah. Well, certainly delivering on the plan we've set, what we believe is a healthy financial plan. Yeah. Delivering on both the financial and the execution plan.

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**Darrin Peller**

*Analyst, Wolfe Research LLC*

Q

Sure.

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**Christopher Suh**

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

A

We've a lot of very ambitious goals inside. Darrin, [ph] as I was telling you, this week is a week, once a quarter (00:33:36), Ryan and his leadership team come together in person. We get together and we really talk about how we're doing progressing across all of the things, financial and operational. And we've really focused a lot on our go-to-market capabilities as well, so we spent a good amount of time this week in business reviews talking to all of our regions on how we're doing against those priorities, certainly so delivering on all of our internal and external goals is a big priority.

And you know, where I started the conversation, we're now getting into the second half of the year. And so we're getting into planning again for next fiscal year. And I really do look around the world and see such huge

opportunities. And part of one of the most important things that we'll do as a management team is to pick those bets, like, prioritize what we go after. And with all the choices that we have and all the resources that we have at our disposal, I think that's one of the most strategic things that we'll go do.

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## Darrin Peller

*Analyst, Wolfe Research LLC*

Yeah. [ph] Agree with that (00:34:35). I mean, I don't know if we really have much time, but anyone have a quick one. Okay. Why don't we leave it there then, guys? Thank you very much, Chris.

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## Christopher Suh

*Chief Financial Officer & Executive Vice President, Visa, Inc.*

Yeah. Thanks, Darrin. Appreciate it.

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## Darrin Peller

*Analyst, Wolfe Research LLC*

Appreciate it. Guys...

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