Q3 2021 Earnings Call

Company Participants

- Alfred F. Kelly, Jr., Chairman and Chief Executive Officer
- Jennifer Como, Investor Relations
- Mike Milotich, Senior Vice President of Investor Relations
- Vasant M. Prabhu, Vice Chairman and Chief Financial Officer

Other Participants

- Ashwin Shirvaikar, Analyst
- Dan Dolev, Analyst
- Darrin Peller, Analyst
- David Togut, Analyst
- Harshita Rawat, Analyst
- Lisa Ellis, Analyst
- Ramsey El-Assal, Analyst
- Robert Napoli, Analyst
- Sanjay Sakhrani, Analyst
- Tien-Tsin Huang, Analyst

Presentation

Operator

Welcome to Visa's Fiscal Third Quarter 2021 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 hosts from Investor Relations, Ms. Jennifer Como and Mike Milotich. Ms. Como, you may now begin.

Jennifer Como {BIO 20121273 <GO>}

Thanks, Michelle. (technical difficulty) fiscal third quarter 2021 earnings call. Before we begin, we want to acknowledge the filing was a little later than usual due to (technical difficulty) issue. But hopefully, you've had an opportunity to review prior to the 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. (technical difficulty) 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 in our most recent reports on Forms 10-K and 10-Q, which you can find on the SEC's website and the Investor Relations section of our website. For 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 {BIO 2121459 <GO>}

Thanks, Jennifer. Good (technical difficulty) us. We had a really strong fiscal third quarter, as payments volume, processed transactions and cross-border volume all approved globally. In our time today, I will first cover our results and then discuss our performance to-date across our three growth levers; consumer payments, new flows, and value-added services.

So first, Q3 results. Net revenue rose 27%, or 39% if service revenues were recognized on the current quarter's payment volume. This growth far exceeded our expectations due to the strength in the US, improving cross-border volumes and lower-than-expected client incentives, largely due to deal timing. Non-GAAP EPS was $1.49, up 41%. As we look at volumes and transactions, keep in mind that year-over-year growth rates are less indicative of performance and the business trajectory due to the COVID-19 impact. So once again, we'll provide metrics compared to 2019 on a constant-dollar basis, as well as year-over-year growth rates.

Payments volume was 121% of 2019, which is up five points from the second quarter and represents a 34% year-over-year growth rate. Cross-border volume, excluding intra-Europe, was 82% of 2019, seven points better than the second quarter and up 53% year-over-year. Processed transactions were 120% of 2019, up (technical difficulty). Vasant will provide more color on our results, so now let me (technical difficulty) transition to progress relative to our business strategy.

Efforts across our three growth levers (technical difficulty) helped to fuel strong results while positioning us to capture future opportunities. In consumer payments this quarter, we saw a favorable secular trend and had a number of wins with large issuers, co-brands and fintechs. Cash displacement trends continued this quarter. Globally, cash volume on Visa Debit credentials, the dollar amount of cash taken out of ATMs was 98% of 2019 levels, flat (technical difficulty) on Visa Debit credentials was 140% of 2019 levels, up five points from Q2.

While debit remained strong and has accelerated since Q2, credit spending is now also improving. Global credit payments volume was 104% of 2019, up five points from the second quarter. At the same time, face-to-face payments volume trends are stable to improving, while e-commerce or card-not-present remains elevated. When we average across our top markets where we (technical difficulty) processed versus 2019, we see card-present improved 10 points while card-not-present excluding travel improved one point in Q3 over Q2.

Travel is starting to recover, both domestically and in cross-border. Again, averaging across our top markets where we processed versus 2019, domestic travel spending improved more than 20 points in Q3 over Q2. Globally, cross-border travel excluding intra-Europe versus 2019 improved six points in Q3 over Q2, and exited the quarter with June at 50% of 2019. If we're looking at the absolute levels, it was a record quarter for Visa, with $2.7 trillion in payments volume and (technical difficulty) payment transactions per day globally, which is up 16 million per day from the last quarter and nearly 160 million transactions per day from a year ago. And we expect much more recovery to come, especially in the areas of credit and cross-border travel.

Tap to pay is a key accelerator for many of these trends, including face-to-face spending in both credit and debit. We continue to see countries increasing in tap to pay limits. For example in Brazil, the limit was doubled (technical difficulty) has already more than doubled from 6% to 14% in that short period. In the United States this quarter, we surpassed $370 million (technical difficulty) San Francisco and San Jose. Merchant progress continued as well. Target has doubled its tap to pay penetration in the last year to two out of every five face-to-face transactions. And Costco's US gas stations have (technical difficulty) reached 40% penetration in tap to pay payments since enabling this feature approximately six months ago.

Now, shifting to clients. We continue to win with large issuers globally. Let me share a few examples from the quarter. In the United States, we're pleased to have renewed our long-standing partnership with Navy Federal Credit Union, the largest US credit union with over 10.5 million members, for a multi-year (technical difficulty) US Android users Google Pay balances (technical difficulty) enabling these users to spend their balances at stores.

In Italy, we extended our agreement with Banca Sella, part of the Sella Group, the largest private and independent banking group in Italy, for the consumer credit and commercial portfolios with plans to launch a new innovative digital credit small business solution. In Singapore, we're expanding our strong partnership with DBS, the largest bank in Southeast Asia. We have (technical difficulty) and we will continue to grow in the DBS debit portfolio. In Latin America, we renewed the HSBC debit portfolio, one of the top five portfolios in Mexico. In our CEMEA region, we won the consumer credit portfolio of Qatar National Bank, the largest financial institution in the Middle East and Africa. And we'll renew the credit portfolio of Saudi British Bank, one of the largest Saudi banks.

We're also building momentum as a global leader in co-brands. In the US alone, we have seven of the top 10 programs. And this quarter, we're pleased to renew Hyatt in the US; and renew and grow the Williams-Sonoma co-brand, which will be re-launched with an expanded scope across the Williams-Sonoma brands including Pottery Barn and West Elm. We've secured a new co-brand relationship with PayPal in Australia; and Mercado Libre, the largest e-commerce retailer in Latin America. In partnership with Banco Itau, we also won the co-brand business of Magalu, a major retailer with one of the largest co-brand portfolios in Brazil. Finally, in the Asia-Pacific region, we have secured a significant part of LINE Pay's business with the partnership renewal in Taiwan, the largest co-brand program in the country.

Fintechs are also core to our consumer payments growth and this quarter, we forged new partnerships and deepened relationships with long-time clients. I just mentioned LINE Pay in Taiwan, and we're also continuing to see strong momentum in our partnership with LINE Pay in Japan and with LINE BK in Thailand. Over the last year, they have added more than two million Visa credentials across those markets. Likewise in India, long-time partner Paytm, they've recently started to issue physical Visa debit cards, which they expect to ramp up over the coming months. KakaoPay, one of the top three mobile wallet providers in Korea with more than 30 million users, (technical difficulty) recently signed on to issue Visa credit cards.

In the Middle East, we're partnering with STC Pay, the fintech subsidiary of Saudi Arabia's largest telecom operator, to embed (technical difficulty) STC Pay wallet. More than a million Visa credentials have been issued since September of '20. Rappi, Latin America's super app with over 70 million users, has now started issuing Visa credit cards. And in the crypto space, we recently (technical difficulty) three partnerships; one with Tala, the partner on Cryptocurrency Solutions for the Global Underbanked; and two, with crypto exchanges FTX and CoinZoom, to begin offering Visa cards. We now have more than 50 crypto wallet and platforms, up from 35 in Q1 and more than the next leading network. And collectively, they drove over $1 billion in payments volume (technical difficulty) represents a significant engine of growth. The market opportunity in new flows is 10 times greater, and we continue to make progress in our efforts.

We had several capabilities within card (technical difficulty) B2B that have been gaining traction. Our Freedom solution enables corporates to control and monitor corporate card spending and expand to new use cases, including payables and virtual card capabilities. Across Australia and New Zealand, we have renewed our long-standing partnerships with ANZ Bank for Freedom's expense management capabilities, as well as NAB and BNZ to deliver expense management and payable solutions. And in the United States, Wells Fargo will deliver these capabilities to their corporate clients as part of our partnership we announced earlier this year.

Visa's Commercial Pay, which offers a mobile app enabling virtual card issuance and management of business incidentals with enhanced data, will be part of OCBC Bank's virtual purchasing card offering in Singapore. Visa Direct transaction growth remains robust, with nearly a half a billion more transactions this quarter than in the third quarter of last year. We continue to see large banks enable Visa Direct payouts for their customers, including CIBC this quarter. In the payroll category, ADP, a leading global technology company providing human capital management solutions, recently integrated its Wisely offering with Visa Direct to provide ADP clients with a digitally enabled convenient and cost-effective solution for employee off-cycle payments.

In the P2P space, the WhatsApp payment feature powered by Visa Direct (technical difficulty) and Visa Cloud Token Framework launched in Brazil in May, and we're seeing early success with a significant number of Visa credentials enrolled and sizable growth in

P2P money transfers. PayPal announced instant transfers for merchant settlement and P2P via Visa Direct in Australia. We also developed new use cases this quarter for Visa Direct. First, GoFundMe is integrating Visa Direct to (technical difficulty) large funds disbursement to individuals and organizations. Second, Questrade, the Canadian brokerage platform, announced the launch of Instant Deposit, allowing investors to fund their trade account in seconds.

Let's now move to our third growth lever, value-added services, where revenue growth grew 28% in Q3. Let me discuss our efforts across a few of our capabilities. First, installments. In addition to investing and partnering with numerous installment providers globally, we've also developed our own solution which had some notable progress in the quarter. In Canada, Scotiabank is extending their post-purchase installment offering to -- their offering to eligible Visa retail credit clients. CIBC is launching installments during purchase. And Desjardins, North America's largest financial cooperative, will be offering during-purchase installments for their eligible Visa customers. In addition, Global Payments is enabling our installment solution for their merchant customers.

Second, CyberSource, our omnichannel gateway platform, has grown as a result of three drivers. One, increased e-commerce and omnichannel volumes. Two, more business creating online and omnichannel presences while leveraging our risk pools. And three, more acquirers white labeling the solution. (technical difficulty) the processing agreement earlier with (technical difficulty) DPS. In addition, (technical difficulty) fintechs with nearly three million (technical difficulty) members have selected Visa DPS as its partner. (technical difficulty) integrate with DPS's newest (technical difficulty) called DPS Forward, which combines issuer processing capabilities with a new suite of APIs that integrate with modern digital banking players to create unique card programs and payment solutions.

Finally, Visa (technical difficulty) consulting and analytics. Our advisory teams have delivered nearly 1,000 projects year-to-date in 88 countries to help our clients be more successful. Let me just share a couple of examples. In Latin America, we developed a digital acquisition platform that helped one of the top issuers in the region improve credit approval turnaround times from days to minutes, while also better qualifying leads to reach a four-times improvement in approval rate compared to their prior solution. Globally, we have launched a new program called Visa Portfolio Health Check, where we review clients' portfolios tracking 30-plus key performance indicators. Year-to-date, we have held health checks across 55 countries, identifying nearly 300 specific opportunities worth nearly $50 billion in incremental payment volume.

Before I close, let me touch briefly on the two recently announced acquisitions. First, that of the open banking platform Tink. Visa's proven infrastructure and sustained investment in resilient cybersecurity and fraud prevention, combined with Tink's API, their technology and customer relationships, is expected to help accelerate the adoption of open banking in Europe by ensuring a secure, reliable platform for innovation, which will help consumers and businesses.

Second is the acquisition of Currencycloud, a global platform that enables banks and fintechs to provide their customer and business customers innovative foreign exchange solutions for cross-border payments around the world. As part of our network of networks strategy, the combination of Currencycloud's capabilities on the front-end of the transaction through their APIs and our settlement capabilities across VisaNet and other Visa networks such as Plus, Earthport, and Visa B2B Connect will be very compelling value propositions for our partners.

In closing, as we look to finish our fiscal year, I'm very encouraged by the recovery trajectory across the board and pleased with the momentum in many of our key growth areas. Our recently launched new brand campaign describes Visa as a network working for everyone, and we are increasingly sitting at the center of enabling money movement. I'm confident that our strategy combined with -- our network to networks strategy combined with our three growth levers of consumer payments, new flows and value-added services remains more relevant than ever and positions us well as we look forward to a robust recovery.

With that, let me turn it over to Vasant. Vasant?

Vasant M. Prabhu {BIO 1958035 <GO>}

Thank you, Al. Good afternoon, everyone. Fiscal third quarter results exceeded our expectations with net revenues up 27%, driven by robust growth in both credit and debit in the US, higher cross-border volumes from a faster-than-anticipated recovery in travel, as well as a spike in cryptocurrency purchases and lower client incentives, largely due to deal timing. Had we recognized service revenues on current quarter payments volume, net revenue growth would have been 39%. The reason for this large difference in growth is a result of the significant quarter-over-quarter change in growth rates of payments volume both last year and this year. The third quarter last year experienced the steepest drop in payments volume, and third quarter of this year has been our strongest growth quarter since the pandemic started. When adjusted for the service fee recognition lag, net revenues for Q3 FY '20 are lower and net revenues for Q3 this year are higher. GAAP EPS grew 10%, primarily due to a non-recurring, non-cash step-up in deferred tax liabilities as a result of the recently announced increase in UK tax rate starting in 2023. Non-GAAP EPS rose 41%, helped by lower-than-expected expense growth and a lower tax rate. Exchange rate shift lifted net revenue growth by one point and EPS growth by two points.

As we did last quarter to help you better assess both the magnitude and the trajectory of the recovery, we have also provided key performance metrics relative to fiscal year '19. In constant dollars, global payments volume was up 34%, led by continued strength in debit as well as improved credit spending. Compared to the third quarter of 2019, global payments volume was 21% higher, a five-point acceleration from the second quarter, with debit and credit improving by five points and four points respectively.

Excluding China, total payments volume growth was 38%, or 25% higher than 2019, and a five-point acceleration from the second quarter. Chinese domestic volumes continue to be impacted by dual-branded card conversions which have minimal revenue impact. US payments volume growth was 40% and up 30% over 2019, benefiting from economic impact payments in the first half of the quarter and then from the lifting of COVID-related restrictions across the country.

Debit growth accelerated four points, up 48% from 2019, remaining strong throughout the quarter as the trend towards accelerated cash digitization and e-commerce was sustained even as the economy reopened. Credit growth improved eight points, up 14 points from 2019. The credit improvement was fueled by two interrelated factors; a significant acceleration in travel, entertainment and restaurant spending, as well as the resurgence of affluent-cardholder spending. Card-present spend accelerated by nine points to 12% above 2019, even as card-not-present volume excluding travel improved four points to 59% over '19. Online shopping habits acquired during the pandemic are persisting.

As the US reopened, travel and entertainment spending improved steadily through the quarter, both up about 25 points from the second quarter. Travel is approaching 2019 levels in July, while entertainment surpassed 2019 levels in May. Restaurant spending in the quarter was over 20% above 2019 levels. Growth across all other spend categories remain strong and stable. International constant dollar payments volume growth improved four points from the second quarter, up 13% over 2019 levels.

A few regional highlights. Growth in our CEMEA region remained strong, up 48% from 2019 levels consistent with Q2, fueled by cash digitization and client wins. Latin America was also up 48% from 2019, accelerating eight points from the second quarter with robust performance across the region fueled by market share gains. Brazil volumes are seemingly unaffected by the high level of COVID cases due to significant cash digitization and large increases in e-commerce adoption. We're also benefiting from our digital partnerships and client wins in Brazil. Europe was up 17% from 2019, improving nine points from the second quarter, the largest sequential acceleration among our regions. Across Europe, restrictions were relaxed and in-store spending recovered while e-commerce spend remained strong.

Asia-Pacific remains our weakest region, up 5% from 2019 and down three points from the second quarter excluding China. Performance across the region varied based on the level of infections and COVID-related restrictions. There were intermittent restrictions during the quarter in Australia, Japan, and Singapore. Much of Southeast Asia was significantly impacted by rising COVID infections and resultant lockdowns. In India, a sharp slowdown in spending starting in mid-April and through May was followed by a quick rebound with July trending well above 2019 levels.

Global process transaction growth was 20% over 2019, improving four points from the second quarter as transactions increased with volume across every region, except the US where transaction growth still lags payments volume growth due to higher ticket sizes. Visa Direct transaction growth remained robust in the mid-50s.

The cross-border volume recovery continued as more countries opened their borders. Constant dollar cross-border volume excluding transactions within Europe was at 82% of 2019 volumes, a seven-point improvement from Q2, led by a steady increase in travel as well as the spike in cross-border cryptocurrency purchases from mid-April through the end of May. Cross-border card-not-present volume excluding travel continued to be very strong, up 56% from 2019, improving 12 points from the second quarter with cryptocurrency purchases representing most of that acceleration. We have seen more active card and more spend per card in cryptocurrency purchases.

We saw the normal seasonal uptick in cross-border travel spending during March and April. However, cross-border travel in May and June was stronger than the typical seasonal trend as many borders reopened or eased requirements. Cross-border travel-related spend excluding intra-Europe was at 45% of 2019 levels, expanding six points from the second quarter, rising from 40% of 2019 in April to 50% in June.

The state of the cross-border travel recovery very significantly across regions depending on border reopenings, quarantines and other requirements, as well as infection levels. Outbound travel from the US and Latin America was back to around 60% of 2019 levels in the third quarter, whereas Europe and CEMEA were about halfway back. Inbound travel has recovered the most into Latin America and CEMEA, with Latin America about 2019 levels due to Mexico, whereas the US and Europe are only about a third of 2019 levels. The Asia-Pacific cross-border travel both in and out has recovered the least, still at around a quarter of 2019 levels.

We have seen immediate impacts when popular travel destinations open their borders. Greece opened borders in April and inbound card-present spend rose nearly 30 points by the end of June relative to 2019 levels. France opened on June 9 and inbound card-present volume rose nearly 20 points by the end of June relative to 2019. Travel to Mexico has been strong for several quarters but the third quarter accelerated further, helped by travel from the US amid vaccination progress. Since April, card-present cross-border spend in Mexico from the US rose nearly 50 points to over 170% of 2019 levels.

Moving now to a quick review of third quarter financial results. Service revenues grew 17%, led by 11% growth in the second quarter of constant dollar payments volume, helped further by favorable exchange rates and mix, as well as small pricing modifications. Data processing grew 32% due to very strong domestic process transaction growth particularly outside the US. The seven-percentage-point difference between revenue and process transaction growth reflected the mix shift away from higher yielding cross-border transactions. In addition, while value-added services recorded in data processing revenues had strong and accelerating growth, this was slower than overall process transaction growth, which benefited from lapping effects.

International transaction revenues were up 54%, eight points lower than nominal cross-border volumes excluding intra-Europe due to lapping high currency currency volatility last year and a less favorable regional mix. Other revenues grew 31%, led by consulting and data services and helped by lapping COVID impacts last year. In total, value-added services revenue grew 28%. Of the 14-point acceleration from the second quarter, about two-thirds was due to COVID-related lapping effects.

Client incentives were 25.8% of gross revenues, consistent with the second quarter but lower than our expectations due to both numerator and denominator effects. A lower-than-expected numerator as some deals were delayed and are now expected for the fourth quarter. Also, higher incentives from US outperformance were largely offset by lower incentives from underperformance in Asia-Pacific. A higher-than-expected denominator as we had stronger cross-border volume and value-added services revenue, both of which don't have significant incentives associated with them.

Non-GAAP operating expenses grew 12% below our expectations, mostly due to timing of some initiatives being pushed into Q4, particularly marketing spend and professional fees. Marketing expenses did grow over 50% in the quarter as we lap reductions in spending at the outset of COVID last year. G&A expenses decreased year-over-year due to favorable foreign currency fluctuations and lower indirect taxes.

We recorded gains from our equity investments of $439 million. Visa has minority investments in over 50 strategic partners. When there is a new financing round or an IPO, for the accounting rules we mark our investments to market which can result in gains or losses. Our investment portfolio has been performing very well. There were gains across several of our investments. The gain recorded this quarter was largely driven by one partner's financing round and another partner's IPO.

Excluding investment gains, non-GAAP non-operating expense was $114 million in the fiscal third quarter. Our GAAP tax rate was 41.3% due to a $1 billion non-recurring, non-cash tax charge pertaining to the remeasurement of deferred tax liabilities and the tax related to investment gains. The non-GAAP tax rate was lower than expected at 17.9% due to the recognition of a tax benefit. GAAP EPS was a $1.18. Non-GAAP EPS was $1.49, up 41% over last year. We bought 9.5 million shares of Class A common stock at an average price of $227.83 for $2.2 billion this quarter. Including our quarterly dividend of $0.32 per share, we returned approximately $2.9 billion of capital to shareholders in the quarter.

Moving on to our outlook for the fourth quarter, I'll start with business trends through July 21. US payments volume growth was 31%, about 2019, consistent with the third quarter, with debit up 46% and credit up 17% versus 2019. As we've said before, weekly numbers can have noise in them. For example, in the third week of July 2019, a major online retailer had their annual sales event which impacted performance index to 2019, particularly e-commerce spending using credit.

International payments volume trends versus 2019 are modestly about [ph] a third quarter but in line with June. Notable exceptions include improvements in India, Canada, and Brazil, with modest slowdowns in Australia and Japan. Process transaction growth continue to improve, up 23% versus 2019. Cross-border volume excluding transactions within Europe on a constant-dollar basis were 81% of 2019, which is one point below the third quarter in June. Travel-related spending versus 2019 improved three points compared to June, offset by lower e-commerce growth, mostly due to cryptocurrency purchases falling back to pre-April levels. The recent announcements by the UK and Canada regarding border openings in August should be helpful in the fourth quarter, while Asia-Pacific remained largely close to travelers.

Assuming July trends continue, fourth quarter net revenue growth is expected to be in line with the third quarter. We expect a benefit from the service fee recognition lag and the cross-border travel recovery to be partially offset by cryptocurrency purchases falling back to pre-April levels, as well as smaller year-over-year lapping benefits in transactions processing and value-added services revenues. We expect client incentives as a percent of gross revenue to increase half a point to one point versus the third quarter due to delays from the third quarter and the typical increase we see in Q4 due to the end of fiscal year-end deal closing -- end of fiscal year deal closings.

The third quarter was the first quarter of growth relative to fiscal year '19 we have had since the pandemic started. Based on current trends, we expect fourth quarter net revenue growth relative to fiscal year '19 to be in the same range as the third quarter. Q4 operating expenses are expected to grow in the mid-teens, inclusive of some expenses planned for the third quarter which were pushed into Q4. Non-operating expense is expected to be around $125 million. Our tax rate expectations are in the 19% to 19.5% range.

In summary, we had a stronger-than-expected third quarter as economies and borders reopened. Even as card-present spend recovered, e-commerce spend stayed strong. Debit spending sustained high growth rates as cash digitization remains robust. The cross-border travel recovery is gaining momentum. Our new flows and value-added services businesses continue to grow at high rates as they have all through the pandemic. We are stepping up investment in key growth initiatives, as we look ahead to several quarters of recovery and prepare to capture the exciting opportunities available to us in the post-COVID era.

With that, I'll hand it over to Mike for questions and answers.

Questions And Answers

A - Mike Milotich {BIO 20581476 <GO>}

We're now ready to take questions, Michelle.

Operator

Thank you. (Operator Instructions)

Our first question comes from Tien-Tsin Huang from J.P. Morgan. You may go ahead, sir.

Q - Tien-Tsin Huang {BIO 6065319 <GO>}

Hey, thank you so much. Great results here. A lot I could ask, but let me ask on debit versus credit dynamics and really focus on the US here. I'm just curious, did some of your views on relative growth between debit and credit changed based on what you've observed so far and the recovery, and with all these fintech names investing in card growth, in card engagement. I think you mentioned Current and some others. So, just curious what you're thinking is there on structural growth between the two.

A - Vasant M. Prabhu {BIO 1958035 <GO>}

I think what we're seeing now is as you've seen in the numbers, debit has had an indexing close to 150 pre-COVID levels. That reflects really a huge step-up in the digitization of cash. It's evident all over the world. You see that in CEMEA numbers, you see it in Latin America numbers. So, debit is the engine of cash digitization. So structurally, debit is benefiting from cash digitization picking up as well as the move to e-commerce.

What you are seeing, though, is that credit is accelerating quite fast. And if you look at the numbers, the biggest quarter-over-quarter recovery, it's been quite significant in credit. Structurally, I think what we're seeing is the affluent customer come back to spending because economies have reopened, and the classic sectors that would benefit from reopening like restaurants, travel and entertainment are also picking up.

There are so many things going on here that are, let's call it recovery-related or fundamental changes like cash digitization and e-commerce, that it's too early to tell whether there is a significant structural change between the user debit and credit. I think credit has got quite a few quarters to go of recovery and the trend remains quite robust even as we look at July.

Q - Tien-Tsin Huang {BIO 6065319 <GO>}

Thank you. Appreciate (multiple speakers)

A - Alfred F. Kelly {BIO 2121459 <GO>}

The only thing I would add, Tien-Tsin, is that we saw a major separation through the pandemic -- the heart of the pandemic between credit and debit growth. And this quarter, the separation between them in the business was more like six points, where we've seen quarters closer to 30 points. So, that's further indication of credit starting to rebound for the reasons that Vasant articulated

Q - Tien-Tsin Huang {BIO 6065319 <GO>}

Makes sense. Thank you both.

Operator

Thank you. Our next question comes from Harshita Rawat from Bernstein. You may go ahead.

Q - Harshita Rawat {BIO 18652811 <GO>}

Hi, good afternoon. Thank you for taking my question. Al or Vasant, can you talk about open banking and what it means for Visa, in light of the accelerated activity there and obviously the recent acquisition of Tink, in what ways Visa can participate in this global move towards open banking. And also can you talk about the potential to take Tink's capabilities beyond Europe into other regions? Thanks.

A - Alfred F. Kelly {BIO 2121459 <GO>}

Well, I'll start and Vasant can jump in. The epicenter of open banking is Europe, which is what attracted us to Tink. It is a open-banking platform that has a footprint in 18 markets that allows, through a single API, customers which are primarily developers to access financial data. And Tink has connectivity to about 3,400 banks and FIs and about 10,000 developers in Europe, and it's one of 400 players. I mean, versus other markets, there is an awful lot of players in the open banking space in Europe because of the fact that it is in ground -- is ground zero.

And we do think that the combination of our various capabilities and relationships combined with Tink's technology and relationships is going to ideally accelerate the adoption of open banking in Europe. It's early days, but there is going to be an increased adoption of open banking. And we see making progress in Europe first, even beyond the 18 markets that Tink is in, and there's no reason why we can't take the business to other parts of the world, particularly in Asia and CEMEA.

Q - Harshita Rawat {BIO 18652811 <GO>}

Thank you very much.

A - Mike Milotich {BIO 20581476 <GO>}

Next question.

Operator

Thank you. Ramsey El-Assal from Barclays. You may go ahead.

Q - Ramsey El-Assal {BIO 17528014 <GO>}

Hi, thanks for taking my question this afternoon. Could you update us on B2B Connect and talk a little bit how your go-to-market strategy there is evolving, how is it ramping, and maybe just give us a general update on what's happening with B2B Connect.

A - Alfred F. Kelly {BIO 2121459 <GO>}

Well, I think as we've talked in the past, the most important thing with B2B Connect is to continue to grow out the infrastructure. And that requires both signing key partners, and we had announced last quarter, I guess, the signing of Goldman Sachs Transaction Banking as a user of B2B Connect. And we're using bank integrators like ACI, and Fiserv, and Bottomline to help us as well in terms of driving more players in B2B Connect.

At this point that's our emphasis. Our emphasis is building out the robustness of this network so it has more endpoints and more clients. Again, we see this is as a $10 billion-opportunity, and we think that B2B Connect is -- has the capability to be a much better than SWIFT kind of alternative for driving payments without having to build -- cross-border payments without having to build out a corresponding banking network.

So, we've continued to sign players and they've continued to do their infrastructure connections to us and we've started to drive transactions. But at this point, what I have an update on B2B Connect, they're much more interested in how we're doing in driving the robustness of the network versus being at a point where we're counting progress on the number of transactions that we're actually seeing slow over the network.

A - Vasant M. Prabhu {BIO 1958035 <GO>}

Yeah. One other thing I might add to that is you may have seen the announcement of payouts -- Visa Payouts service. Essentially, we're integrating both Visa Direct and B2B Connect to offer a single point for our customers to come to us for all kinds of cross-border payments, either business customers, B2B customers, whether they are low-ticket high-volume, which we can handle through the Visa Direct capability and Earthport, or if they're high-value low-volume transactions, which we can handle through B2B Connect. So, essentially from a client standpoint, they don't -- they just interface with us and whatever their needs are, we can meet in any form, whether it's to account, to card, or to any part of the world.

So, it's important to note that it also sort of integrates well with our other capabilities to provide a single point of contact.

Q - Ramsey El-Assal {BIO 17528014 <GO>}

That's terrific. Thank you.

Operator

Thank you. Our next question comes from Lisa Ellis with MoffettNathanson. You may go ahead.

Q - Lisa Ellis {BIO 18884048 <GO>}

Hi, good afternoon and thanks for taking my question. Wanted to dig in a little on value-added services and new flows, given the call-out that value-added services grew 28%, I think you said, in the quarter. With peeking back at Investor Day February 2020, which is of course a lifetime ago now, but at the time you had kind of put this framework out that new flows and value-added services were around 23% of revenues growing in the high-teens and that was sort of the momentum expected going forward.

Can you just kind of broadly talk about now 18 months later through the pandemic, how your outlooks for new flows and value-added services has evolved? Do you now expect it to be faster and bigger given both the secular shift during the pandemic, as well as some of the acquisitions you've made, maybe what's changed in that outlook? Thank you.

A - Alfred F. Kelly {BIO 2121459 <GO>}

Well, Lisa, we remain extremely robust and excited about the opportunities in value-added services and new flows. Obviously, in some of our value-added services, we actually saw declines during the pandemic. Certainly, people were buying less travel benefits from us, there were less transactions in certain cases against which we could sell value-added services. But as I said, we started to see transactions really roar back this quarter. For the first time ever, we averaged over 600 million transactions a quarter -- in the quarter and for every day in the quarter, I should say. And that was up 160 from -- more than 160 million transactions a day a year ago during the pandemic.

So, I think that as we start to get into what I hope -- what I believe is going to be a robust recovery and a continued growth in transactions, we're going to continue to see our platform-type services, CyberSource, our issuer processing, our risk and identity services which represent about two-thirds of our value-added services grow very nicely. I think we've continued to start to see recoveries on the other side of things like our consulting. And I think as travel comes back, our card benefits and travel-related card benefits will increase. So, I think that while we went -- during the height of the pandemic, we got off our trajectory of where we wanted to be in five years, I feel like we're going to get right back on that trajectory and maybe even do better than we might have thought we would do.

In terms of new flows, I'd say a couple of things. One is obviously Visa Direct continues to do very well. I cited that it was almost a half a billion more transactions in the quarter than the prior year, and I think in Vasant's remarks, he talked about mid-50s percent growth levels continuing. And we've seen this for a -- numbers of quarters now. And in the B2B space, we're starting to see some recovery. The B2B space looks like the consumer credit space, so it's the commercial volumes kind of after way [ph] or following that, mirroring that. Although, small business is obviously recovering quicker than large market, but as -- I think as people start to come back to work, as business travel starts to return, I feel good that the commercial volume will continue to come back as well.

So again, I would say that in the new flows area, while we, again, went off trajectory from what we would have said at Investor Day, the reality is I think we'll get right back on now as we're seeing a really -- a very good beginning to what I think will be a robust recovery.

Q - Lisa Ellis {BIO 18884048 <GO>}

Terrific. Thank you.

Operator

Thank you. Our next question comes from Sanjay Sakhrani from KBW. You may go ahead, sir.

Q - Sanjay Sakhrani {BIO 7390132 <GO>}

Thank you. I guess my question is if you parse through the granular spending trends, I'm curious how much of the spend outperformance you're seeing is related to pent-up demand versus stimulus benefits. I'm just trying to think through how to run rate the outperformance. And then specific to the fourth quarter expectations, maybe you could just speak, Vasant, to the -- your expectations relative to the third quarter, particularly on cross-border. Thanks.

A - Vasant M. Prabhu {BIO 1958035 <GO>}

Sure. So, as it relates to your -- the second part of your question, if you look at the trends in the first three weeks of July -- and I want to emphasize, as we've said before, that three weeks don't make a trend and you shouldn't read too much into it. I told you that the third week of July in the US was impacted by what happened in the third week of July in 2019 because that's sort of -- we often look at it as a clean year. But when you look at week-by-week numbers, there's always going to be unusual things about what happened in the same week in 2019 or what day of the week was when or what holidays' impact were and so on.

So putting that aside, what you saw in the first three weeks of July (technical difficulty) was quite a bit of stability on the cross-border side, and we think that's sort of the trend for the fourth quarter. We see some of the cryptocurrency cross-border purchases have fallen back to pre-April levels. We had a spike in April and May, as we mentioned, so that will -- has pulled back in July, as you can see. That was replaced by travel continuing to recover, and so that gave you a certain amount of stability.

The big question mark is what kind of a summer travel improvement will we get in cross-border travel, given that while borders have opened and substantially more borders are open than they were before, it's still not normal in that all borders are not open, and especially borders in Asia are not open. So, I think our best sort of view of the fourth quarter as it relates to cross-border travel and cross-border in general is that cross-border in general stays relatively stable with the third quarter, with travel recovering and cryptocurrency purchases falling back a bit and so on balance or at neutral.

In terms of the domestic businesses around the world, we've provided you some color in the comments. Everything we're seeing so far, if you adjust for a unique thing that's happened in 2019, is a trend that's either stable or slightly better in the US. And around the world, either stable or slightly better, with no evidence right now anywhere of Delta impact in the spending. And an important correlation there is mobility. Mobility is highly correlated with spending, we find. And mobility and mobility indexes in general are either stable or climbing still even as infections are climbing in many parts of the world. And even where infections have gone up a lot, mobility doesn't seem to be impacted yet, no evidence of it, nor are we seeing any impact on spending.

A - Alfred F. Kelly {BIO 2121459 <GO>}

Sanjay, the only thing I would add is that yes, where there has been stimulus, that has certainly impacted some spending, but it tends to drive spending for a couple of weeks and then wane over that third to fifth week. I might use a different phrase than pent-up demand. I think it's a little bit of a return to normal. And I'd also bring back, we're starting -- gyms are opened, people are going to sporting events.

And then I'd come back to something Vasant cited in response to one of the earlier questions, which is the affluent customer has jumped back into the marketplace. These are the people that drive up white-tablecloth restaurants spending, these are people who make discretionary purchases, these are the people who are heading to Mexico and other places as borders open up.

And so I think -- again, I echo what Vasant said that mobility can continue to improve, I think we just get closer and closer to returning to a more normal. And therefore, feel like that there's going to be a good run here of a good recovery for the business.

Q - Sanjay Sakhrani {BIO 7390132 <GO>}

Thank you.

Operator

Thank you. Our next question comes from Mr. Darrin Peller with Wolfe Research. You may go ahead, sir.

Q - Darrin Peller {BIO 16385359 <GO>}

Thanks, guys. When we look at cross-border at 85% of 2019, travel still 50% to 60% of '19 levels, clearly there is considerable room to the upside when that travel resumes, especially looking at how e-comm has held up. Can we just revisit the incremental net revenue opportunity from that? I know there's a lower correlation of rebates incentives from cross-border and it's a higher margin business. So, A, if you could just reconfirm that. And then would you let much of that pass through for shareholders, just given that we've missed out on a year and a half of cross-border to the same magnitude we should have had?

A - Vasant M. Prabhu {BIO 1958035 <GO>}

Well, if you do simple math and say that the cross-border business would have continued to grow at roughly 10% a year as it was growing pre-pandemic and we're indexing right now, as you said, around 82% of '19, I mean, you can do the math yourself, right? We would have been indexing closer to 120% or 121%, I suppose, if you assume 10%. And that Delta between 82% and 121% gives you a sense, if you apply that to our international revenues line, it gives you a sense of it. Now, we do have some additional cross-border revenues in the data processing line because that is the data processing revenue associated with cross-border too. So, if you do the math, I mean, you can see that it's a sizable amount of revenue.

Yes, you're right. Incentives are not generally tied to cross-border. There are, in some parts of the world, particularly Asia where for travel-related portfolios, we may have some incentives tied to cross-border in those portfolios, so a fair chunk of it would flow through to the net revenue line. And that's one of the reasons, in fact, why our incentives as a percent of gross revenues have climbed, it's because of this mix shift.

As far as how that -- how much of that flows through to the bottom line, our approach has been we need to invest as much as we need to invest to grow the business. There are significant opportunities available. We've already told you that our expenses will grow in the mid-teens in the fourth quarter. If cross-border recovers faster that won't necessarily change our investment plans. And we've never managed for margins. Margins are an outcome. Our goal is to drive as much volume and revenue growth as we can and to invest what we need to to drive that growth.

Q - Darrin Peller {BIO 16385359 <GO>}

Got it. Thanks, guys.

Operator

Thank you. Our next question comes from Bob Napoli from William Blair. You may go ahead, sir.

Q - Robert Napoli {BIO 1526298 <GO>}

Thank you and good afternoon. A question just following up on the Currencycloud acquisition and the growth of cross-border -- Visa's view on the growth of cross-border maybe ex-physical travel. With all the different marketplaces out in the world, it seems like there's been an acceleration, potentially. So, just any thoughts on the growth of cross-border long term ex-travel and the -- how Visa in particular is looking to get more deeply, I guess, engaged.

A - Alfred F. Kelly {BIO 2121459 <GO>}

Well, I'll start then Vasant can pick up, Bob. Look, the reality is the world is shrinking, from the perspective of how easy it is for people to buy from sellers in different countries and different regions around the world. And we've seen a dramatic increase, millions of millions of people shopping online during the pandemic who never shopped online before. So, our expectation is that you're going to continue to see very, very good growth in cross-border e-commerce going forward. I think that the whole e-commerce trend, both domestically and in terms of cross-border, is something you're not going to be able to and nor want to have go back to the way it was before. I think that this is a fundamental change in how people shop, and it's going to continue to drive cash digitization that we've been talking about.

Currencycloud, the acquisition we announced, I don't know, a week or two ago, I think builds on and extends our existing capabilities to provide better FX services and easier connectivity to fintechs, financial institutions and other partners. And they have a really cool set of APIs, and we think the combination of Currencycloud's capabilities on the front-end of a transaction via those APIs and our settlement capabilities across VisaNet and our other networks, B2B Connect, Earthport, Plus and et cetera, is going to create a very powerful combination.

So ultimately, our intention is to provide global reach here with simplicity and flexibility at competitive pricing, and we want to leverage our settlement scale and make sure that we are also leveraging our sophistication in managing risk. So, we like the -- we like the asset in Currencycloud, we like the combination of Visa's capabilities and Currencycloud's capabilities. And we like the fact that from a dynamics perspective, we see cross-border travel continuing to come back over time, and we see the e-commerce cross-border continuing to be robust as we look forward.

A - Vasant M. Prabhu {BIO 1958035 <GO>}

Yeah, and going back to your question about moving past sort of our traditional business of enabling payments to merchants cross-border, you've heard us talk about the extraordinary progress we're making in remittances. For example, we've signed up all the major remittance providers and we can provide a very flexible, very attractive proposition for their consumers at a very attractive cost. And remittances is almost as big in volume as foreign direct investment and it's not an area that we served before. Beyond that, you heard earlier about Visa payment service, Payout service, which is very valuable to pay gig economy players around the world as well as it has a big role to play in marketplace payouts and so on. The third one I would highlight is the partnerships we've signed with a whole range of cryptocurrency wallets that enable the use of Visa credentials that they issue at 70 million merchants around the world. And a big chunk of that business is expected to be cross-border too.

So, our business in cross-border has gone well beyond the traditional, let's call it C2B space to P2P cross-border to B2B cross-border, of course, and a significant chunk of B2C cross-border.

Q - Robert Napoli {BIO 1526298 <GO>}

Thank you. Appreciate it.

Operator

Thank you. Our next question comes from Ashwin Shirvaikar from Citibank. You may go ahead, sir.

Q - Ashwin Shirvaikar {BIO 5027189 <GO>}

Thank you. Hi, Al. Hi, Vasant. I was hoping that you might be able to answer a framework question as investors think primarily about fiscal '22 rather than 4Q. As you're going through your budget planning process, how are you thinking about pricing, how are you thinking about expenses? What would it take for you to, say, return to providing a full-year outlook? If you could kind of provide a framework of how you're thinking.

A - Vasant M. Prabhu {BIO 1958035 <GO>}

Yeah, it's too early to give you a perspective on 2022. I think we'll save that for October. And whether we provide a full-year outlook or do what we've done this quarter to give you the best sense we have of what we see around us right now and how it might play out for a quarter or two or whether we go further than that, I think we'll assess as we go along.

As we've said, we've already given you some indications of our posture as it relates to investment. We are preparing for multiple quarters of recovery. You heard earlier about -- the conversation about the cross-border recovery that still remains ahead of us, so clearly there's been plenty of recovery still to come. And we are investing in preparation for a post-COVID world, where we see extraordinary opportunities in new flows and value-added services.

So, we are stepping up investments and our expenses are growing in the mid-teens and so on. But in terms of projecting where revenues are going to be or what the volume trends are going to be, we'll save a lot of that discussion and pricing and our thoughts for that for October.

Q - Ashwin Shirvaikar {BIO 5027189 <GO>}

Got it. Thank you.

Operator

Thank you. Our next question comes from David Togut with Evercore ISI. You may go ahead.

Q - David Togut {BIO 1496355 <GO>}

Thank you. Good afternoon. Recently, your US-centric competitor sharply increased consumer rewards on one of its mass affluent credit cards and some of those reward increases were matched by Visa issuers. So, I'm curious for your view on how this step-up in the rewards battle will impact credit card spending going forward, especially since many of these rewards are tied to travel and entertainment spend.

A - Alfred F. Kelly {BIO 2121459 <GO>}

Well, I think what issuers are doing is getting ready for a return to travel being a important spend category. As you well know, many of these reward propositions in North America, both in the US and in Canada, are very tied to travel. All the big airlines, all the big hotels have co-brand programs. And even for other programs that are more -- reward programs that are more generic, a lot of their bird options are tied to travel.

So, I think that travel has started to come back. It will continue to come back as mobility increases, as restrictions get lifted, et cetera. And I think issuers are trying to make sure that as that happens, that as the affluent consumer and middle-market consumer starts to get in their car and get on airplanes more, that their product will be top of wallet. And I think that's really what's driving the activity.

A - Mike Milotich {BIO 20581476 <GO>}

We have time for one more question, Michelle.

Operator

Thank you. Dan Dolev from Mizuho. You may go ahead, sir.

Q - Dan Dolev {BIO 16010277 <GO>}

Hey, guys. Thanks for squeezing me in. So, I was just surprised to see the impact of crypto on April trends. Can you maybe help us quantify a little more what drove the bump and how we should think about it in the future if we get into the more sort of crypto volatility, just to get some more color, because I don't think this was a big factor in the prior quarters. Thank you so much.

A - Vasant M. Prabhu {BIO 1958035 <GO>}

We've seen a few months here and there of these kinds of spikes in purchases. So essentially, most of the time cryptocurrency impacts our business is when purchases go up. A lot of the people who buy crypto are buying them from entities that are non-US based, often based in Europe, so these end up being cross-border transactions when they buy crypto currencies like Bitcoin. And so when there is a spike in buying activity, you will see that in some of our cross-border e-commerce numbers.

In terms of quantifying how much it is, if you look at the -- our cross-border e-commerce business ex-travel has been quite stable through several weeks and months. You'll see a bump up in April and into May, and you can attribute a fair amount of that strictly to cryptocurrency purchases. We've had this before. There was another spike when there was a big run-up in crypto prices and then a collapse, I don't know, must have been a year ago, so it has happened before. It has now fallen back to pre-April levels. Although, it's still running at a level that is higher than it was six months ago, but you can quantify it if you look at the numbers.

Q - Dan Dolev {BIO 16010277 <GO>}

Got it. Thank you so much.

A - Mike Milotich {BIO 20581476 <GO>}

And that's all the time we have, so thank you for joining us today. If you have additional questions, you can always feel free and call or email Jennifer of myself. So, thank you so much and have a good evening.

Operator

And thank you. This concludes today's conference call. You may go ahead and disconnect at this time.