Q1 2019 Earnings Call

Company Participants

- Alfred F. Kelly, Jr, Chief Executive Officer & Director
- Lisa Ellis, Analyst
- Mike Milotich, Senior Vice President-Investor Relations
- Vasant M. Prabhu, Chief Financial Officer & Executive Vice President

Other Participants

- Craig Jared Maurer, Analyst
- Darrin Peller, Analyst
- David J. Koning, Analyst
- David Mark Togut, Analyst
- Donald Fandetti, Analyst
- Harshita Rawat, Analyst
- James E. Faucette, Analyst
- Michael Del Grosso, Analyst
- Robert Napoli, Analyst
- Ryan Cary, Analyst
- Sanjay Sakhrani, Analyst
- Tien-Tsin Huang, Analyst

MANAGEMENT DISCUSSION SECTION

Operator

Welcome to the Visa Fiscal First Quarter 2019 Earnings Conference Call. All participants are in a listen-only mode until the question-and-answer session. Today's conference is being recorded. If you have any objections, you may disconnect at this time.

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

Mike Milotich {BIO 20581476 <GO>}

Thank you, Katie. Good afternoon, everyone, and welcome to Visa's fiscal first quarter 2019 earnings call. Joining us today are Al Kelly, Visa's Chief Executive Officer, and Vasant Prabhu, Visa's Chief Financial Officer. This call is being webcast on the Investor Relations section of our website at www.investor.visa.com. A replay will be archived on our site for

30 days. A slide deck containing financial and statistical highlights had 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 a 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.

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

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

Alfred F. Kelly, Jr {BIO 2121459 <GO>}

Thank you, Mike, and good afternoon to everybody, and thanks for joining us today. Let me start with the financial results before sharing some key highlights from the quarter. The company continued to perform well in the fiscal first quarter with approximately 50 billion transactions on the Visa network driving $2.9 trillion in total volume.

Revenue growth was 13% and our key business drivers remained strong. Payments volume growth was 11% on a constant dollar basis, but please note that we modified our definition of payments volume this quarter to include all Visa Direct use cases involving a Visa payment credential. For your convenience, the historic growth rates have also been updated, and Vasant will touch on this in a little bit more detail.

Cross-border growth on a constant dollar basis was 7%, slowing 3 percentage points from last quarter. Adjusting for the cryptocurrency purchases last year on a major e-commerce platform localizing volume within Europe, growth slowed just 1 point. Cross-border is an area we're watching closely. Cross-border volumes slowed through the quarter and into January, and Vasant will provide a little more color on these trends.

Processed transaction growth was 11%, down 1 percentage point from last quarter. Expense growth was 17%, primarily driven by personnel and marketing-related expenses, and EPS growth was 21%.

Let me briefly comment on holiday spending starting in the United States. Adjusting for Visa-specific factors, spending during the holiday season in the United States was relatively strong. We saw about the same growth we did last year, which was a strong year. Stronger debit spend growth was offset by weaker credit performance, which slowed later in the holiday season.

Retail growth was in line with last year fueled mostly by e-commerce. E-commerce continues to grow more than three times faster than non-e-commerce. However, e-commerce growth did decelerate moderately versus last year. E-commerce drove approximately one-third of consumer spending, up 2 percentage points versus last year.

In terms of key days for sales, Black Friday was the largest shopping day boosted by almost half of the spend via e-commerce. Black Friday was the third largest e-commerce shopping day in the holiday season. Cyber Monday remained the largest e-mail e-commerce shopping day and was the seventh largest shopping day overall in the holiday season. To give you a brief sense of the holiday season in other major markets, Brazil and Australia saw a slightly stronger growth than last year. Canada's growth was similar to last year, and the growth in the UK slowed slightly.

Reflecting on the quarter as well as the first few weeks of January, economic uncertainty related to the U.S. government shutdown, Brexit, big equity market swings and the trade dispute with China are starting to have an impact on consumer sentiment. I was glad to see the reopening of the U.S. government last Friday after 35 days. It's critical that a deal gets done out – done in this three-week period as I fear a second shutdown would have a further negative impact on consumer confidence and in turn on the U.S. economy.

Despite all the uncertainty across the globe and the recent cross-border slowdown, our business performed well this quarter and we remain confident in our business performance over the medium to long term.

A cornerstone of our long-term strategy is to deepen current client relationships and expand into new partnerships. In fact, our performance is fueled by partnerships, whether it be our traditional financial institutions, fintechs, commercial players, new payment flow partnerships or our sponsorship partners. As a B2B company with a great consumer brand, it is these partnerships that enable our continued growth, and we're honored that companies find value in the services Visa offers.

So let me start by sharing a number of client partnership deals executed this quarter that highlight Visa as the preferred partner across traditional clients, co-brands and fintechs. Let me begin with the traditional brand deals. In Mexico, we signed a five-year renewal with BBVA Bancomer, strengthening our strategic partnership with the largest bank in Latin America outside of Brazil.

In India, we continue to lead the credit card market. During the quarter, we renewed deals with SBI Card and ICICI, two of India's largest credit issuers. In Australia, Visa will be the exclusive scheme for credit and debit card portfolios across St.George, Bank of Melbourne and Bank of South Australia, which are all banks within the Westpac Group.

Another great representation of partnerships in payments is demonstrated through our co-brand partnerships. Co-brand partnerships bring together our merchants' brands and loyalty assets and can find it with our payment network and our issuer partner assets. Across these types of partnerships, we had several wins in the quarter.

We executed a long-term partnership with Air Canada, which is the largest co-brand portfolio in Canada. In Mexico, Costco converted their private label card program to be 100% Visa. Visa won the co-brand partnership with Amazon in India, which is expected to be one of the largest credit card portfolios in the country as it matures in the next few years. Lastly, in Japan, we announced the LINE Pay co-brand card deal, which significantly expands the payment options for LINE Pay users. For those who may not be familiar, LINE is one of Asia's leading messaging platforms and social networks.

Beyond co-brands, we continue to strengthen our acceptance footprint with our traditional acquiring and processing partnerships. Across India, we continue to work with local acquirers to expand, access and strengthen consumer demand for electronic payments. To that end, we surpassed 1 million contactless acceptance points in the quarter, and we now have 950,000 QR acceptance points. In China, we executed a three-year deal with (07:48), one of China's leading integrated financial services platform, to open up acceptance in 7 million merchant locations.

In terms of processing, we work in close collaboration with various players in the Argentine payments ecosystem – Argentina payments ecosystem to complete the processing transition to VisaNet earlier this month. And in fact, on January 25, Visa began processing 100% of our Argentine transactions, enabling us to better serve clients with our products and our value-added services.

Moving to new partnerships. Fintechs continue to be key enablers around the world in helping to expand assets through electronic payments, open new acceptance, drive new payment flows and create new ways to pay and be paid. Visa is increasing its reach and scope to address fintech needs, both partnering directly with fintechs as well as platforms that service them.

In Turkey, we're partnering with Turkcell and their fintech subsidiary Paycell to expand access to digital payment services by offering a Visa card integrated with their mobile wallet, which will provide financial services such as money transfer, utility bill payments and acceptance at the point-of-sale. This service is targeted at addressing the 40% of the Turkish population that is under-banked with the goal of reaching 10 million Paycell Visa cards in three years.

In Singapore, InstaRem, a digital cross-border payments company powering local payments in over 55 countries, will begin leveraging Visa's credentials for business and consumers by creating innovative products in payroll, travel and cross-border payments.

In Africa, Flutterwave leverages suite of Visa capabilities, including digital prepaid card issuance, mobile payments, processing in Visa Direct to service both mobile money and bank clients. While Flutterwave has processed 100 million transactions across its 50 banking partners in Africa, it plans to grow across the continent reaching those who don't currently utilize electronic payments.

Also in Africa, Visa is partnering with GTP, a prepaid processor and program manager focused on prepaid issuing in over 30 African countries. This partnership will enable faster time to market for fintechs and wallets.

Visa continues to also invest in partner to innovate and grow our B2B payment offerings across both core card and new payment flow solutions. In November, we announced our collaboration with Billtrust on their bill payment network designed to streamline the delivery of B2B payments to suppliers.

The Business Payments Network will provide financial institutions and corporate buyers with the ability to deliver digital payments directly to the suppliers' acceptance platforms. This collaboration reflects our increased focus on B2B accounts receivable and on improving the overall supplier experience when accepting B2B payments.

We're also continuing to expand our commercial card relationships globally. In Europe, Ixaris will shift their business to Visa and expand the range of virtual travel payment product it offers to online travel aggregators, global distribution systems and other participants of the travel industry. Ixaris is a leading technology provider for online travel agency solutions in Europe, and we're working with them on expanding their solution set into multiple regions.

We also renewed our Citi commercial card partnerships by seven years in Europe and five years in Central Europe, Middle East and Africa. In Brazil, Itaú announced the launch of the Visa Infinite corporate card, Visa's premier and premium commercial product. Itaú is targeting top-tier executive clients who need a business solution with expanded benefits that are more in line with their corporate travel habits.

In previous quarters, we provided an update on tap to pay, and we continue to see strong momentum with global contactless penetration of domestic face-to-face transactions. We've been constantly increasing, and we continue to see a 2-point improvement quarter-over-quarter and 8-point improvement year-over-year in the first quarter of 2019.

Excluding the U.S., 44% of domestic face-to-face transactions that run over our network are now tap to pay. In the United States, our partners are beginning to establish the foundation that will drive adoption and usage in the coming quarters. U.S. financial institutions are starting to issue more tap-to-pay cards.

Chase, our largest issuer, plans to be issuing tap-to-pay cards in all credit and debit portfolios by the end of 2019. Additionally, Wells Fargo and Bank of America will start issuing tap-to-pay cards this year. Wells Fargo will start in the upcoming months and Bank of America will begin in the summer. For merchant acceptance, Target enabled tap-to-pay this month, and Hy-Vee, a large grocer in the Midwest, also enabled tap-to-pay.

Visa Direct continues to expand use cases, geographies and usage by leveraging scale partners. Transaction count growth continues to be over 100%. Increasingly large acquirers are seeing the value of offering Visa Direct. Notably, Visa has teamed up with Cielo, the largest acquirer in Latin America based in Brazil, to start implementing real-time disbursement capabilities to the Brazilian market. Once completed, they will be among the first to offer domestic origination. And in Asia Pacific, RYDE, a regional ridesharing app in Singapore, started to offer driver disbursements facilitated through Stripe's Instant Payouts feature.

In emerging markets, push payments allow consumers to use their enabled mobile applications to push money to a business account conveniently using an alias, for an example, a QR or a phone number for the payment of goods and services.

Scan to pay, Visa's QR-based payment solution, launched in Cambodia in December. The launch was done in conjunction with five of the leading banks in the country of Cambodia. Scan to pay also went live in Ghana with the commercial launch planned for Tanzania this quarter. These launches showcase that scan and pay is expanding into emerging markets of all sizes and regions.

In terms of partnerships promoting our brand, we signed several partnerships to ensure our consumer brand remains healthy and top of mind. To that end, yesterday, we announced an extension of our 25-year relationship with the NFL by six years through the 2025 season. Our NFL sponsorship allows us to have tremendous reach to showcase our payment innovation across the United States for the benefit of our partners.

This quarter, we also announced two new soccer partnerships, the Union of European Football Association's Women's Football Competitions through 2025 and the Confederation of African Football, Total Africa Cup of Nations tournament in 2019 and 2021. Similar to our other partnerships, we will leverage these partnerships to promote acceptance and showcase payments experiences at the tournament venues. And we will be able to share these rights with our clients.

Before closing, I'd like to briefly comment on a potential M&A deal, China and an update on U.S. merchant litigation. Visa made an all-cash proposal to acquire Earthport in December 2018. As you're likely aware, Mastercard made an offer late last week that was a bit higher and we're considering our options. And a further announcement will be made in due course. Given that this transaction is governed by the UK Takeover Code, we will not be able to take any questions on Earthport or the potential transaction.

Relative to China, we filed Visa's domestic license application with The People's Bank of China last year and we continue to work closely with the Chinese regulators and government to understand how to best proceed through the application process. We realize there's been some recent market developments, but at this point, we can't comment on the structure of our China entity or potential partnership given the sensitivity of the process.

In the U.S. merchant interchange litigation, we're pleased to share that, last week, the District Court granted preliminary approval of the damages class settlement. In terms of what happens from here, U.S. merchants will receive legal notice of the settlement and an opportunity to opt out. And the court scheduled a final approval hearing for November.

In summary, we had a strong first quarter financially. It's important that the geopolitical challenges begin to get addressed so we don't experience further erosion in consumer confidence that could impact cross-border spending as it has in recent weeks.

That said, we have a very good business and we're committed to our strategy: continuing to invest in important growth initiatives. Through key partnerships, we'll maintain our focus on strengthening our consumer brand and together with strong partners, we continue to drive new payment flows as well as expand electronic payment in the traditional consumer to merchant purchases.

To share a bit more detail on Q1 results, I'll turn it over to Vasant.

Vasant M. Prabhu {BIO 1958035 <GO>}

Thank you, Al. We had a strong start to our fiscal year 2019, with EPS growth of 21% and net revenue growth of 13%. Exchange rate shifts versus prior year were a drag on net revenue and EPS growth of approximately 50 basis points.

A few points to note. As Visa business continues to evolve beyond purchases at merchants, we have updated our definition of reported payments volume to account for all new payment flows carrying the Visa brand. To date, we had included funding or pull payment volume related to Visa Direct, but not disbursement or push payment volume.

Our payments volume now includes all Visa Direct disbursement volume. Where a transaction is processed straight through, i.e. it includes both a pull and a push in quick succession, the payments volume is only counted once. All prior periods have been adjusted to reflect the updated definition. This change added a little over 0.5 percentage point to reported payment volume growth in constant dollars this quarter. There is a schedule in the operational performance data that shows the impact from this change on current and prior periods.

While growth rate flowed modestly from the prior quarter, payments volume and processed transactions continued to grow at double-digit levels globally in the first quarter of fiscal 2019. Cross-border growth rates, however, dipped to 7%. Lapping the spike in cryptocurrency purchases last year contributed 1 percentage point to the slowdown. The remaining 2-percentage point slowdown was within Europe or in intra-Europe cross-border transactions. These intra-Europe transactions have yields comparable to domestic transaction rather than a typical cross-border transaction, hence, a small revenue impact.

One point of the intra-Europe slowdown reflected general weakness across the EU. The other point was due to a pan-European e-commerce platform reorienting acquiring across countries, converting transactions from cross-border to domestic, again, with minimal revenue impact to Visa. The cross-border growth trend slowed significantly in December and this has continued into January, which I will talk about more in a few minutes.

Net revenue growth at 13% was very strong, helped by lower than expected client incentive. Deal timing moved some client incentives to the second quarter, shifting the equivalent to $0.01 in EPS between quarters.

The new revenue accounting standard, ASC 606, added approximately 1 percentage point to Q1 reported net revenue growth. The ASC 606 impact was larger this quarter than expected due to the timing of deals and client activities. The ASC 606 impact was partially offset by exchange rates, which were a 50-basis point drag.

As expected, expense growth was in the mid-teens. ASC 606 added almost 2.5 percentage points to expense growth. Exchange rate impacts on some balance sheet items added another point. Expense growth rate was moderate in future quarters and we still expect full year expenses to grow in the mid to high single digits on an adjusted basis.

During the quarter, the U.S. Treasury issued guidance on how to apply new provisions of tax reform that go into effect this year. Applying these GILTI and FDII provisions resulted in a lower than expected tax rate this quarter. We bought 16.9 million shares of class A common stock at an average price of $137.82 or $2.3 billion in the first fiscal quarter.

Our board has authorized a new $8.5 billion share repurchase program. Including this additional authorization, we currently have $9.8 billion available for share repurchases. Including our quarterly dividend of $0.25 per share, we returned approximately $2.9 billion of capital to shareholders in the quarter.

Moving now to a review of the key business drivers in the first fiscal quarter. Payments volume on a constant dollar basis grew 11%. As I mentioned earlier, the inclusion of disbursement or push payment volume added a little over 0.5 percentage point to reported growth. This reflects solid underlying growth globally, particularly in the debit business.

Credit was up 9%. Debit was up 13% in constant dollars. Latin America, CEMEA, and Asia Pacific ex-China all had stronger growth versus the last quarter. Europe and Canada slowed moderately while U.S. growth decelerated by almost 2 percentage points.

Total U.S. growth was almost 11%. Growth remains strong in debit at 13%. Debit growth was consistent with the last quarter, both including and excluding Visa Direct disbursement volume. However, credit grew at around 9%, slowed almost 3 percentage points versus last quarter.

Credit growth slowed approximately 1 percentage point due to conversion, in particular Cabela's, which started this quarter. Lower fuel prices contributed about 0.5 point to the credit slowdown. The remaining credit deceleration was across multiple categories, particularly in travel and home improvement. Credit growth was particularly soft in the second half of December.

International payments volume growth in constant dollars was stable at 11%. Growth rate stepped up in Brazil, Japan, across most of CEMEA, and in many parts of Europe. This was offset by slower growth in Australia as we lacked wins, as well as the Middle East, UK, and France. The rate of decline in Chinese dual-branded card volume was consistent with last quarter.

Cross-border volume on a constant dollar basis grew 7% and slowed through the quarter. This is 3 percentage points lower than last quarter, primarily due to the drag from lapping the spike in cryptocurrency purchases last year as well as intra-Europe volume.

Again, the intra-Europe slowdown has only a minor effect on revenues. Excluding these two items, U.S. outbound spend accelerated as the dollar strengthened. Outbound spend also accelerated in Japan and the Middle East, but decelerated in Canada and Russia as their currency has weakened.

Inbound commerce into the U.S. slowed into the low single digits with the strengthening dollar. Inbound commerce into Europe remained strong and consistent with the last quarter. Growth in inbound spend to the Caribbean accelerated as we lapped depressed growth last year due to the hurricane, which caused travelers to choose other destinations.

Processed transaction growth of 11% is down 1 percentage point versus last year, mostly driven by the U.S. Growth in the U.S. slowed in line with credit volume. Growth slowed in Brazil as we lacked processing wins, which is partially offset by the processing gains in Argentina. Growth also slowed in the U.K., consistent with the slowing spend growth given the high levels of uncertainty as we approach the Brexit date in late March.

A quick review of first quarter financial results. Net revenue grew 13%. As I mentioned earlier, net revenue growth benefited from delays in client deals. Exchange rate shifts lowered Q1 net revenue growth by 0.5 percentage point, which is offset by a 1 point benefit from the adoption of ASC 606.

Service revenue grew 9% in line with nominal payments volume growth last quarter. Data processing revenues were up 15% as we continue to benefit from pricing changes made last year. International revenue increased 11%, benefiting from lapping low currency volatility last year. Also, as I described earlier, some of the cross-border deceleration in the first quarter was driven by slowing intra-Europe volumes, which have only a small impact on international revenues.

Other revenue grew 30%, primarily driven by the adoption of ASC 606 but also helped by increased client adoption of some of our value-added services. Incentives as a percent of growth revenue at 20.9% are lower than our outlook range this quarter, but in line with last year.

Incentives were lower than we expected, primarily due to deal delays, but also due to lower volumes in some parts of the world. We expect to see an uptick in incentives as a percent of gross revenues in the remaining quarters based on timing of deals.

Operating expenses grew 17%, primarily driven by personnel and marketing costs. Personnel expenses were lower in the first quarter of last year as we ramped up investment through the year. In addition, we increased our 401(k) match in the U.S. and acquired Fraedom in the second quarter last year.

Marketing expenses grew 24%, of which approximately 13 percentage points is related to ASC 606. Marketing growth is lapping low first quarter spend in fiscal year 2018, leading up to the Olympics and the FIFA World Cup. As I mentioned earlier, exchange rate impacts on some balance sheet items contributed 1 percentage point to expense growth and ASC 606 adoption added almost 2.5 points.

Non-operating expenses were lower than expected due to higher interest income on our cash balances. In addition, in the quarter, we entered into forward contracts, swapping some of our U. S. dollar debt to euro-denominated debt, reducing interest expense. The euro forward contracts are a liability, partially offsetting foreign currency exposure from our euro-denominated assets.

Our tax rate for the quarter was lower than expected at 18%. During the quarter, the U.S. Treasury Department provided more clarity on the application of tax reform rules related to FDII and GILTI, which go into effect this year. This lowers our first quarter tax rate by more than 1 point.

With that, a few perspectives about the second quarter and the rest of fiscal year 2019. First, let me share growth in our business for the first three weeks of this quarter. Through January 21, U.S. payments volume growth was 10%, with U.S. credit growing 8% and debit, 12%.

Processed transactions grew 12%. U.S. credit payment volume growth has recovered from the dip we saw in the second half of December. Cross-border volume on a constant dollar basis grew 2%, which is similar to the trends we saw in December. Adjusted for the cryptocurrency spike and the impact of the EU e-commerce platform shifting intra-Europe transactions to domestic, cross-border growth was around 6%, again in line with the December trend.

What are some of the factors driving this cross-border slowdown? In the U.S., the inbound commerce growth rate is now negative. As the dollar strengthened in mid-2018, inbound commerce to the U.S. started to slow and this has continued. Commerce from Canada, Latin America, China, Australia, and Europe, excluding the UK, has been particularly soft.

Outbound commerce, on the other hand, continues to be very robust; helped, of course, by the strengthening dollar. Internationally, corridors that slowed significantly through December and January include outbound commerce from Canada, Mexico, and Argentina; most parts of Asia excluding Japan, Russia, and Sub-Saharan Africa. Commerce into Brazil slowed sharply as we commerced into China. Growth within the EU is slowing as well as parts of the Middle East.

In terms of the causes of the slowdown, exchange rate and a period of reduced cross-border activity appear to be the primary drivers. As always, there are some unique factors in specific corridors. It is too early to determine if this slowing trend will continue, stabilize, or turn around. For the moment, by resuming the January cross-border growth rates will persist through the second quarter and possibly beyond. The impact of the cryptocurrency spike will fade through the second quarter. The impact of the EU platform shifting intra-Europe transactions to domestic will continue, but it has a minor revenue impact.

In October, when we provided our outlook for fiscal 2019, we had indicated that the cadence of net revenue growth would not be steady through the year. While our outlook for the year was for low double-digit net revenue growth, we anticipated high single-digit net revenue growth in the middle quarters, with the lowest growth in the second quarter. This was driven by a variety of factors that impact year-over-year comparison like exchange rate shifts, client incentive growth and currency volatility trends.

The second quarter of fiscal year 2018 benefited from a sharp weakening of the dollar, resulting in an exchange rate tailwind of approximately 1.5 percentage points and 11% cross-border growth. In the second quarter of fiscal year 2019, we expect exchange rates to be a 1-percentage point drag but 2.5 point swing year-over-year. The cross-border growth rate is in the low single digits through the first three weeks of January.

As I mentioned earlier, some incentives have shifted into Q2 from Q1 due to deal delays. In addition, the positive net revenue impact from adopting ASC 606 will be much lower in the second quarter than it was in the first.

Based on current exchange rates, recent cross-borders trends and the other factors I just mentioned, Q2 net revenue growth is likely to be at least 1 point lower than we had expected in October. Some caution is called for given the many unresolved issues that are coming to a head in the second quarter: continued uncertainty over how the standoff between the President and Congress is resolved over the next three weeks, the upcoming deadlines with China-U.S. tariffs on March 1, and Brexit on March 29. There could be some volatility as we navigate through these complex issues and the uncertainty they create for businesses and consumers.

We are maintaining our outlook for the full fiscal year at this point. We think it's too early to definitively conclude that a change in outlook is called for. We do think the next several months could provide more clarity since many of the significant issues that have weighed on markets for the past few weeks and months are coming to a head. We hope, as I'm sure you all do, that these uncertainties are largely resolved by the time we talk to you again in April.

We've had a strong start to the year with 13% net revenue growth and 21% EPS growth. As we have in the past, we'll love to pull all the levers we have available to deliver on the commitments we have made to you.

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

Mike Milotich {BIO 20581476 <GO>}

Thank you, Vasant. We're ready to take questions, Katie.

Q&A

Operator

Thank you. Our first question comes from David Togut with Evercore ISI. Your line is now open.

Q - David Mark Togut {BIO 1496355 <GO>}

Thank you. Appreciate all the helpful callouts. Could you give us some sense of what some of the positive factors might be for the rest of the year with respect to cross-border? You've definitely called out all the risk factors. What could be possibly in the plus column?

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

David, it's Al. Thank you for the question. Look, we look at domestic volumes around the world in the last quarter and they actually were quite good. Three of our regions had double-digit growth and if you exclude China from Asia Pacific, it also grew double digits. And Canada and Europe were about 8.5% growth and domestic volume is seemingly holding up quite well. Even in the U.S. where we saw some slowdown in face-to-face retail and gas at the back end of the quarter, categories like restaurant and QR continued to hold at very healthy levels.

So I think that our – as Vasant said in his remarks, we're not exactly sure what the dynamic is with cross-border and whether – and we frankly don't have enough of a trend line to really draw any conclusions but we do think that underlying economics were pretty good, especially when you look at domestic performance. But we do think that people have been spooked a bit by all of the different geopolitical factors that we discussed.

When you look at two of the largest economies in the world, the U.S. and the UK, suffering through a shutdown and Brexit, that's got to have – and it's for an ongoing period of time, it's got to have some impact on how people think about their travel outside of their domestic country.

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

Yeah. I mean, the other factor clearly, as we've always said, exchange rates matter a lot. And clearly, some stabilization or even a weakening of the dollar would be a meaningful tailwind. You saw that last year. We had a weakening trend going into our second fiscal quarter and we had a sizable impact on our cross-border growth rates.

So it's a combination of, we think, some of the uncertainties that are all coming to a head in the next few weeks and at least recent trends in the dollar could be helpful as we look ahead, so we'll wait and see.

A - Mike Milotich {BIO 20581476 <GO>}

Next question?

Operator

Our next question comes from Sanjay Sakhrani with KBW. Your line is now open.

Q - Sanjay Sakhrani {BIO 7390132 <GO>}

Thanks. I guess I got two questions on cross-border. One, the gap between the international revenues and the volume growth widened. Could you just call out what specifically that was and whether or not it sustains itself over the next few quarters? And then secondly, as far as cross-border volume trends, has that ever shown to be an indicator of like global macroeconomic trends? I mean, what kind of leading indicator has that been by the data that you've seen? Thanks.

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

Yeah. In terms of the 11% growth in international revenues relative to the cross-border volumes you saw, it all depends on which corridors cross-border trends are, where are the strong corridors and the weaker corridors. As we said in the comments, some of that slowdown, 2 points of it was all intra-Europe and in some cases, it was linked to sort of a e-commerce platform reorienting acquiring that while it affects the reported volumes in that intra-Europe transactions are considered cross-border for reporting purposes, the way the economics work from a revenue standpoint doesn't really change very much. So those are relatively benign changes that don't have a revenue impact. That's one part of the reason.

The other is if you look at currency volatility last year in the first quarter versus this year, we did have relatively low volatility last year relative to this year and that helped a bit in the first quarter. Volatility was higher in the second quarter last year, so it won't help as much in the second quarter. So those are some of the factors.

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

I'd say there's a third factor which is, we said in our remarks that we saw the decline happen through the quarter. So, at the beginning parts of the quarter, we saw a performance that was more similar to what we had been seeing in the prior quarter. So what we're calling out was a trend that we started seeing towards the back end of the quarter and then into the first three weeks of January.

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

And that was the second question.

Q - Sanjay Sakhrani {BIO 7390132 <GO>}

Around being cross-border a leading indicator?

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

Yeah. As Al said, I mean, the domestic volumes are quite robust as you saw and even the three weeks in the U.S. after what was some softening in the second half of December recovered to -- if you adjust for conversions and gas prices very much to where they were in the first quarter.

So there is no evidence in the domestic volumes of broader economic weakness. It is strictly, right now, in the cross-border trend so I'm not sure we would be able to tell you that it is a leading indicator of anything other than perhaps uncertainty about certain more recent events that Al referred to.

A - Mike Milotich {BIO 20581476 <GO>}

Next question?

Operator

Our next question comes from Jason Kupferberg with Bank of America. Your line is now open.

Q - Ryan Cary {BIO 20145963 <GO>}

Hi, guys. This is Ryan Cary on for Jason. I wanted to ask about how you were thinking about U.S. credit volume growth going forward. It sounds like growth moderated towards the end of the quarter and while it seemed to recover a little bit through the first three weeks of January, it seems to still be a little bit below recent levels. Is there anything in particular how you're kind of thinking about it going forward for the rest of the quarter, maybe even beyond? Thanks.

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

Yeah. The Cabela conversion started to happen in the latter part of the first fiscal quarter. So if it looks lower than -- it does -- you have to adjust it for conversions, which will impact the full quarter in the second quarter. If you adjust for conversion and you adjust for gas prices, or you leave gas prices in because the effect is roughly the same as it was in the first fiscal quarter, we are pretty close to where we were running in the first fiscal quarter. So in that sense, the small reduction you see in the growth rate for the first three weeks is more linked to the impact of conversions.

A - Mike Milotich {BIO 20581476 <GO>}

Next question?

Operator

Our next question comes from Tien-Tsin Huang with JPMorgan. Your line is now open.

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

Hi, thanks. I got disconnected for a second. Hope this wasn't asked. Just on the – given what you talked and thanks for all that detail around the changes in consumer confidence. I'm just curious, the defensiveness of the business, can you maybe update us on the ability for Visa and your willingness maybe to protect the bottom line if macro does take a turn for the worse? I know the business has changed, your investments have changed, et cetera. Just wanted to revisit that if you could comment on it. Thank you.

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

Well, we -- thank you for the question. We will continue to do all we need to do to make sure that we are delivering for both -- for investors, both in the year and the out-year. So that will certainly mean being very, very careful about as appropriate and as we see whether this is a trend or it's not a trend or it reverses, we don't know but we'd certainly do some belt tightening.

But it would be a balancing act because it is important that we continue to invest in areas where we think we're going to get sustained, good performance in the out-year. So we absolutely will look at all of our investments and all of our expense lines to make sure that we're battening down the hatches where we need to. And I think if you go back historically and look at some past periods, we demonstrated our ability to do just that.

A - Mike Milotich {BIO 20581476 <GO>}

Next question?

Operator

Our next question comes from Harshita Rawat with Bernstein. Your line is now open.

Q - Harshita Rawat {BIO 18652811 <GO>}

Good afternoon. Thank you for taking my question. My question is in B2B. So with the last year or so, you appear to have accelerated your partnerships and investments in the space with the Billtrust, the Bottomline partnerships, B2B Connect rollout and your Virtual Card business appears to be growing very nicely. So my question is what has changed in the marketplace and your approach to B2B in the last few years to trigger your investments in this space? And my follow-up to that is has this led to the rethink of your strategy in buy versus build to go after this enormous market?

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

Well, I think like what really more happened is that we made a concerted effort only starting 18 months or so ago, maybe a little bit longer than that, to really double down and invest in B2B and really run it as a business unit. We have a head of B2B as of 18 or so months ago that reports to Ryan McInerney, our president. We've actually built an entire team focused on it.

We're fully cognizant in thinking about the three different segments that exist within B2B: small businesses, mid-sized businesses and large multinationals. As you know, in this space, it is not homogeneous. Each industry vertical is different with different needs and we're increasingly conscious of that.

We are certainly looking to build more partnerships. And I think that related to your question around build versus buy, I think we are in the mode of -- we're very committed to this business and we will look at every opportunity to both build capabilities and products that we think our clients would value and that would help digitize more payments and move them away from cash and check and wire transfers. But we'll also be both opportunistic as well as proactive where necessary in looking at potential acquisitions.

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

And as you know, I mean, there are new capabilities that Visa Direct has offered us that apply to the B2B space. There are new capabilities that B2B Connect offers us that we apply in the B2B space and then as Al said, some important partnerships in the last few months has also added to our capabilities. So it's a continuous focus that we've had for a few years, but as technologies evolve, our capabilities have expanded.

A - Mike Milotich {BIO 20581476 <GO>}

Next question?

Operator

Our next question comes from Lisa Ellis with MoffettNathanson. Your line is now open.

A - Lisa Ellis {BIO 18884048 <GO>}

Hi. Good afternoon, guys. Thanks for taking my question. I have a Visa Direct-related question. I mean, the growth rate there of over 100% is pretty extraordinary within Visa World and I think we were looking at U.S. debit volume growth has now sequentially accelerated for five straight quarters, which I think is heavily Visa Direct-driven. So just a more sort of strategic repositioning question, can you sort of compare and contrast the functionality of Visa Direct versus fast ACH, meaning in which ways is Visa Direct better or different? And what's prohibiting Visa Direct from being applied into use cases like Bill Pay or payroll or electronic checks that are heavily ACH today?

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

Well, Lisa, thank you. Visa Direct has definitely been a contributor to debit growth in the U.S. and even outside the U.S. Look, it is not exactly the same as real-time payments types of capabilities with probably two gaps. One is around the ability to reach all bank accounts in the world. And the second is kind of the packet of information that it travels with it.

But Visa Direct is operational today. It could deliver both domestic and cross-border transactions to the 2 billion Visa debit cards around the world, and many of those are enabled for Fast Funds. It's global, it's enabled in over 70 countries. And last I knew we said Visa Direct, we send (47:32) funds through Visa Direct over 150 countries, things like ACH or market specific, so somebody would have to string together a group of countries via partnerships or acquisitions, which certainly can be both tricky and time-consuming.

Visa Direct runs on – as a part of VisaNet, so it has the leverage of all of our AML, KYC types of capabilities as well as our cybersecurity types of capabilities that we're able to leverage all of that.

So, I think that Visa Direct is a great example of our strategy to continue to improve and use VisaNet, our core authorization process – authorization clearing and settlement system. But that doesn't mean that as warranted we will be looking to get involved in adding value and playing in the real-time payment space as well.

A - Mike Milotich {BIO 20581476 <GO>}

Next question?

Operator

Our next question comes from Mike Del Grosso with Jefferies. Your line is now open.

Q - Michael Del Grosso {BIO 18634501 <GO>}

Good afternoon. Thanks for taking my question. Similar to the previous caller, on Visa Direct, can you comment on some of the growth drivers and use cases within that? Is it still P2P that's – the predominant use case or you're starting to see uptake in healthcare and disbursements, et cetera?

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

Well, I think – so, as a reminder at least that, at the moment, there's a number of use cases. P2P is one, disbursement is another, bill pay is another, and payments through merchants is fourth.

I think as we initially got into it and powered things like Venmo and Square Cash and Zelle and other P2P platforms around the world, P2P was the first scale use case of Visa Direct. But increasingly, especially in this gig economy, there is a lot of applications that have been developed to facilitate end-of-shift, end-of-day, end-of-week kind of real-time payments to the people working in the gig economy.

We're certainly seeing some growth in bill pay. And we've got a whole sales force out looking for other use cases and signing other partnerships. So, I think that as we continue on, you're going to have a wider range – array, I should say, of use cases that are contributing significant levels of growth to Visa Direct. And we're continuing – we're already seeing that expansion and the growing of the breadth of use cases for the product.

A - Mike Milotich {BIO 20581476 <GO>}

Next question?

Operator

Our next question comes from Dave Koning with Baird. Your line is now open.

Q - David J. Koning {BIO 7310416 <GO>}

Yeah. Hey, guys, thanks. And just two quick things. I guess, cross-border, the slowdown in the last, I guess, few weeks and last quarter, was that more travel related or was that more e-com? And then the second question, was the ASC 606 impacting the other revenue segment?

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

Yeah. The ASC 606 impact in total was about 1 point on revenue growth. And the biggest chunk of it would be in the other revenue line. That's where most of it should show up and then some of it on the incentive line. So it's mostly between the other revenue line and the incentive line. So, the higher other revenues due to this and somewhat lower incentives because they're reclassified due to this, and that explains most of it.

In terms of the cross-border growth, we gave you a fair amount of color in the comments, and by and large, it's across both segments but perhaps a little more on the face-to-face segment than in the card-not-present segment. But other than that, it's along the lines of the things we described.

A - Mike Milotich {BIO 20581476 <GO>}

Next question?

Operator

Our next question comes from Craig Maurer with Autonomous Research. Your line is now open.

Q - Craig Jared Maurer {BIO 4162139 <GO>}

Yes, hi. Thanks. Two quick questions. First, could you comment on corporate card or business spend? Is that – can be a leading indicator for the consumer economy? And secondly, what is the specific capability you're targeting by going after Earthport, just to understand what might or might not come Visa's way depending on actions you take? Thanks.

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

Craig, on the latter, as I said, given that we're governed by the UK Takeover Code, we're just not able to respond to any question having anything to do with Earthport at this point in time.

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

And in terms of corporate card spend, at least through the first fiscal quarter, there were no indications in the corporate card spend to suggest a change in trend.

A - Mike Milotich {BIO 20581476 <GO>}

Next question?

Operator

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

Q - Robert Napoli {BIO 1526298 <GO>}

Good afternoon. Thank you very much. Question on – just on cross-border and I guess the trends there and the battle, I guess, over your M&A offer to acquire Earthport and your competitor going after the same. Do you expect to see more market share shifts in cross-border? And are the stakes being raised from a technology perspective? What are you going after? What do you need to really build that business and make that a consistent growth business? It's obviously a very profitable business for you. Thank you.

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

Bob, I'm going to add to this at kind of more of a strategic level. The cross-border is important to us. We look at any and all partnerships and any and all technologies where we can add value and participate in the movement of funds from one geography to another geography.

So, in short, it would be safe to say that we certainly wouldn't leave any rock unturned. But that said, we were doing that in Q1 of 2018. We're going to do it in Q1 of 2019, we're going to do it going forward. We did it in the last quarter. That's unrelated to this very recent trend that we've seen in terms of cross-border performance.

So we're not going to do anything differently because of what we're seeing in terms of attacking and being permitted to cross-border. Nothing is going to change because we saw the slowdown just as if it accelerated, there's nothing we would change. We'll be continuing to be very, very focused on it.

A - Mike Milotich {BIO 20581476 <GO>}

Next question?

Operator

Our next question comes from Don Fandetti with Wells Fargo. Your line is open.

Q - Donald Fandetti {BIO 6095992 <GO>}

Yes, thank you. Vasant, on the 2019 guidance for rev growth, I guess, what's the most sort of important factor you're looking at? Is it the cross-border? I mean, your overall volumes were relatively solid. And do you have a little bit of wiggle room, I mean, how close are you? Can you just dig in a bit on that?

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

No, I don't think there's much more we would add to what we said in the comments. We have started the year with 13% revenue growth. That was better than we might have expected. Yes, we've seen some cross-border slowdown in the last few weeks. As we said in the comments, it's too early to tell whether this trend is going to moderate or turn around.

Fundamentally, all other dimensions of business really are tracking as we expected. When you look at payment volumes, transactions growth, et cetera, there really wasn't any meaningful change in trend. So, based on all that, as we said in the comments, don't see any reason to adjust our full year outlook at this stage of the game. The one change has been in one particular area and it's too early to know what happens there.

A - Mike Milotich {BIO 20581476 <GO>}

Next question?

Operator

Our next question comes from Darrin Peller with Wolfe Research. Your line is open.

Q - Darrin Peller {BIO 16385359 <GO>}

Hey, thanks, guys. Just a little more clarification on the spread between revenue growth and the volume growth in cross-border. I know you touched a bit on Europe being a contribution to that. I think you said there was a couple of hundred basis points. Was there other variables on maybe pricing or anything else? And then just thinking about keeping that gap bridged, going through the year assuming cross-border were to stay in the range it is now, on the revenue side, is that sustainable?

And then actually, just quickly on e-com contribution to cross-border today versus where it's been in the past. Thanks again, guys.

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

Yeah, in terms of the deltas, they will move from quarter-to-quarter between volume and revenue growth. In terms of pricing, we told you what kind of pricing we're doing this year, and most of the pricing will become effective in the second half of the year. So, yes, it could, it will impact the international revenue line to some extent, and that could have an impact in terms of the delta between volume growth reported and revenue growth reported.

On the margin, levels of volatility, differences between one year to another could have some impact. The biggest impact really is which corridors are most affected, which ones are strong, which ones are weak. And all those factors go into whether there's a delta between volume growth and, of course, exchange rates, of course, big factor.

You've seen periods where that gap has really widened one way or another depending on exchange rates. So, of all the factors I mentioned, exchange rates is probably the most significant variable that drives the difference between volume growth and revenue growth on the international revenue line.

A - Mike Milotich {BIO 20581476 <GO>}

Next question?

Operator

Our next question today comes from James Faucette with Morgan Stanley. Your line is open.

Q - James E. Faucette {BIO 3580933 <GO>}

Great. Thank you very much. I wanted to ask a higher level question, and that's around ongoing investment in fintech by some of the market participants from China, et cetera. Have you seen any change or potential disruption around the world in some of the places that Alipay and Tencent and others are investing as they try to also get into the payments area outside of China? I know we've heard about investments in places like India and Latin America, et cetera, and so I'm wondering if you're seeing any change in your opportunity set or competitive environment from that perspective. Thank you very much.

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

Thanks, James. I think, outside of China, I think it's still early days to comment. And in fact, as you probably know, there's been a lot of changes inside of China that both Alipay and WeChat are having to deal with in terms of the PBoC putting much more restrictions on them and forcing processing through a local Chinese switch. They're, in fact, making them hold more capital related to the balances in these staged wallets. So they're putting some changes on the yields they can offer on their mutual funds.

So there's a whole bunch of changes that I think they might be somewhat preoccupied with in terms of what and how to deal with from a change perspective in China. So, that said, I still expect them to continue to look to grow outside of China, mostly in Asia. I'll tell you that our business in India was up over 30 points in the last quarter and we're continuing to – we continue to be the market leader in India. We're continuing to grow acceptance points. As you heard in my remarks, we renewed two deals with two of the very large banks in India.

So, certainly, we're very pleased with the fact that our business is still moving along and growing at a very healthy pace in one of the markets that's at least the prevailing wisdom is that it's a target for fintech players like Alipay and WeChat.

A - Mike Milotich {BIO 20581476 <GO>}

And with that, we'd like to thank you for joining us today. If you have additional questions, please feel free to call or e-mail our Investor Relations team. Thanks again and have a great evening.

Operator

That concludes our today's conference. Thank you for your participation. You may disconnect at this time.