



Speaker 3
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Welcome to the Visa Fiscal Third Quarter 2025 Earnings Conference Call. All participants are to listen only 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, Ms. Jennifer Como, Senior Vice President and Global Head of Investor Relations. Ms. Como, you may begin your conference.

Speaker 1
27s

Thank you. Good afternoon, everyone, and welcome to Visa's Fiscal Third Quarter 2025 Earnings Call. Joining us today are Ryan McInerney, Visa's Chief Executive Officer, and Chris Suh, Visa's Chief Financial Officer. This call is being webcast on the Investor Relations section of our website at investor.visa.com. A replay will be archived on our site for 30 days. A slide deck containing financial and statistical highlights has been posted on our IR website. Let me also remind you that this presentation includes forward-looking statements. These statements are not guarantees of future performance, and our actual results could differ materially as the result of many factors. Additional information concerning those factors is available in our most recent annual report on Form 10-K and any subsequent reports on Forms 10-Q and 8-K, which you can find on the SEC's website and the Investor Relations section of our website. Our comments today regarding our financial results will reflect revenue on a GAAP basis and all other results on a non-GAAP nominal basis unless otherwise noted. The related GAAP measures and reconciliation are available in today's earnings release and related materials available on our IR website. With that, let me turn the call over to Ryan.

Speaker 2
1m 58s

Thanks, Jennifer. This quarter, our financial performance once again demonstrated the power of Visa's diverse business model, global scale, commitment to innovation, and relentless focus on our clients. We delivered net revenue of \$10.2 billion, up 14% year-over-year, and EPS up 23% year-over-year. Our key business drivers were strong. In constant dollars, overall payments volume grew 8% year-over-year. U.S. payment volume grew 7%, and international payments volume grew 10%. Cross-border volume, excluding intra-Europe, rose 11% in constant dollars, and processed transactions grew 10% year-over-year. We are obsessed about serving our clients and wake up every morning thinking about what we can do to help them be successful today and in the future. We recently completed our annual global client engagement survey where Visa again received a net promoter score of 76, a tangible sign of how our clients feel about Visa and our capabilities, services, and products. As I'm sure you all saw, we hosted our product drop on April 30. We shared how we are continuing to evolve the Visa-as-a-Service stack to advance our product developments and lead in a number of areas, including AI and stablecoins, across consumer payments, commercial and money movement solutions, and value-added services. Now let's look at some of the specific innovations and progress across our growth pillars this quarter.

Speaker 2
3m 44s

In consumer payments, we continued to grow through a focus on solutions to address both carded and non-carded volumes across the globe. Total credentials were up 7% year-over-year, marking the ninth consecutive quarter of at least 7% growth. We are nearing 15 billion tokens, and now more than 50% of our e-commerce transactions are tokenized globally, getting closer to our ultimate goal of reaching 100% penetration. As we continue to transform Visa cards for a more digital future, our Flex credential is an important solution. We have seen interest across various use cases, such as buy now, pay later, small business, multi-currency, and more. This quarter, we announced that Klarna will be launching a Klarna card powered by our Flex credential in both the U.S. and Europe. We also expanded Flex credential geographically with inaugural clients in Vietnam, the Philippines, and Bangladesh, and we have a pipeline of more than 200 client opportunities. Another way that we are advancing a more digital future is with Visa Intelligent Commerce, which enables consumers to shop and buy with AI agents. It combines a suite of integrated APIs, including AI-ready cards with tokenization and authentication, together with a commercial partner program for AI platforms, enabling developers to deploy Visa's AI commerce capabilities securely and at scale.

Speaker 2
5m 26s

We are excited to announce that we have more than 30 partners testing in our live sandbox, and we will soon enter the live transaction pilot phase with general availability to follow later this year as we see agentic commerce becoming a reality. In the face-to-face environment, we continue to drive cash digitization and habituation through our tap-to-everything use cases. Tap-to-pay penetration is now at 78% of face-to-face transactions globally. As a result of our efforts to increase issuance and acceptance, especially transit, which drives habituation, we now have 75 U.S. cities at 60% penetration or higher, up from 30 cities just last year, and New York City and San Francisco have now surpassed 85% and 80%, respectively. Tap-to-Phone added a record 3 million transacting devices this quarter, and Tap-to-Add card continues to expand with more than 275 issuers participating globally, almost doubling from last quarter. For affluent consumers, we are excited to launch Visa Infinite Privilege in Brazil, a new super premium offering with personalized exclusive experiences enabled by dedicated lifestyle managers for each affluent user. Itaú, Unicred, and XP International are our inaugural issuer partners. In Canada, our Visa Infinite affluent offerings for fintech Wealthsimple have been their most requested product, with tens of thousands of cards issued in just two months and hundreds of thousands on the waitlist.

Speaker 2
7m 20s

Throughout all these innovations, we have continued to deepen our relationships with our clients across the globe. We renewed our partnership with ABSA, a leading Pan-African bank in consumer and commercial issuance, consulting, and Cybersource across nine countries. In India, we renewed our consumer credit agreements with HDFC and Axis Bank this quarter, two of the country's top five credit card issuers. Our consumer payment strategy is also focused on non-carded solutions like Visa A2A in the U.K. With this offering, we bring together Visa's brand, consumer protections, technology, and risk management capabilities to enable simpler, safer, and more secure account-to-account payments. We released APIs on the Visa Developer platform a few months ago, and we now have several partners on board and even more in our pipeline with a formal launch soon. Also in the A2A space, we're making a very deliberate effort to focus on open banking in the markets that have the greatest potential, such as Europe and Latin America. As an example, in Brazil, we have developed Visa Connecta, a payment initiator that connects with PIX to facilitate open banking payments through TINC technology, both in the face-to-face environment, but more specifically in e-commerce, where conversion is a challenge due to the current customer experience.

Speaker 2
8m 57s

Now moving to commercial and money movement solutions, or CMS, where we continue to pursue new use cases and verticals, domestic and cross-border flows, and develop unique products. This quarter, commercial payments volume was up 7% in constant dollars, Visa Direct transactions grew 25%, and CMS revenue rose 13% year-over-year in constant dollars. In Visa Commercial Solutions, one of our key strategies is addressing the day-to-day challenges of small and large businesses through our vertical-specific solutions. In the healthcare and benefits vertical, we are very active, including providing solutions for employee benefits to more than half of the top HSA providers in the U.S. A recent example of our activity in the benefits space is with Sunny, a healthcare fintech that will issue Visa prepaid disbursement cards to their millions of U.S. consumers to spend integrated health benefits and rewards. In the travel vertical, Checkout.com will begin using Visa virtual cards for online travel agencies, or OTAs, in the U.K. and Europe. In addition, Pliant, already an important issuing partner across numerous verticals in Europe, will be expanding into the U.S., bringing their virtual card-as-a-service offerings with spend management capabilities to OTAs, travel management companies, and others in the travel vertical.

Speaker 2
10m 31s

In the fleet and fuel vertical, we continue to make progress with our Fleet 2.0 solution, providing key Visa enhancements such as EMV chips, digital wallet provisioning, and contactless payments. In Europe, Octopus Energy is one of the region's largest energy suppliers, and they selected Visa as their partner as they start issuing cards to fleet managers seeking a single payment solution to manage mobility expenses. In Visa Direct, we have made some important progress in facilitating cross-border flows to further our positioning as the largest money movement platform by transactions, volumes, and endpoints. One of the biggest banks in the UAE, with over 60 branches serving over 1 million customers, ADIB, will use Visa Direct to power remit, their newly launched remittances program, by offering access to cards, accounts, and wallets across all corridors. In Bangladesh, we have signed our first four partners to enable Visa Direct: Magna Bank, Trust Bank, Midland Bank, and Brac Bank, specifically for outbound cross-border payments. In the U.S. and Canada, Paysend, who we have discussed before as an important Visa Direct remittance client with 10 million customers, is now expanding to add more cross-border use cases such as gig economy worker payouts, payroll disbursements, and accounts payable flows as a reseller to third parties.

Speaker 2
12m 11s

Before I go to value-added services, I think it is important to touch on a topic that has had a lot of interest lately: stablecoins. We are supportive of the Genius Act, and we believe that it marks a key milestone on the path to regulatory clarity for stablecoins. We have been active in this space for almost a decade and believe that stablecoins can solve important payments problems for certain use cases. We believe that Visa's role is to do what we always do: provide trust, standards, connectivity, billions of endpoints, scale, and interoperability to the payments ecosystem. Beyond capital markets use cases, we see product-market fit for stablecoins in two important areas: one, in emerging markets where the local fiat currency is volatile and/or where consumers do not have easy or affordable access to U.S. dollars; and two, in cross-border money movement, both B2B payments and consumer remittances. Our in-market solutions, partnerships, market activity, and product roadmap reflect our commitment to this space. For example, we have deployed stablecoin-linked cards in many markets around the world with partners such as Bridge, Rain, and banks. In the emerging market use case I mentioned earlier, consumers and businesses are using stablecoins to save money in U.S. dollars, but they also want easy and safe ways to spend that money, and there is no better way to do that than using a Visa card.

Speaker 2
13m 55s

Stablecoin-linked Visa cards are an extension of what we have been doing in the crypto space for years. Since 2020, we have enabled crypto users to spend more than \$25 billion in Bitcoin, Ethereum, and an array of other cryptocurrencies, and now stablecoins. We are also enabling cross-border money movement capabilities for P2P and B2B in certain emerging markets, and we are piloting and partnering with stablecoin payments companies who specialize in these markets as we build out our stablecoin treasury stack for settlement and money movement flows. A recent example is with Yellow Card in Sub-Saharan Africa. Together, we are working to streamline treasury operations, improve liquidity management, and enable quicker more cost-efficient cross-border transactions. Additionally, we are also helping banks issue their own stablecoins and realize the benefits of programmable money through our Visa Tokenized Asset Platform. We offer multi-chain and multi-coin stablecoin settlement on the Visa network. We recently expanded our capabilities by adding a Euro-backed stablecoin, EURC, and through a partnership with Paxos to additional regulated stablecoins, USDG and PYUSD. We are also adding support for two additional blockchains, Stellar and Avalanche, enabling us to support four stablecoins running on four unique blockchains representing two currencies that we can then accept and convert to over 25 traditional fiat currencies across the world for our clients within our settlement infrastructure.

Speaker 2
15m 48s

There is so much more to come in this space, and we are excited about enabling commercial and money movement flows globally across networks, currencies, and form factors. Now to value-added services, which had one of our strongest revenue growth quarters, up 26% year-over-year in constant dollars. Let me walk through some of the highlights in our four portfolios. In issuing solutions, PISMO continues to expand, benefiting from Visa's deep client relationships and trusted partner status. We have now entered Europe with ABN AMRO's Neobank Boot in the Netherlands and have also partnered with Lunar, who serves over 1 million consumers and business users for the first PISMO-powered Visa card across Denmark, Sweden, and Norway. This quarter, we signed with EML Payments in Australia to deploy PISMO for their global issuance strategy, enabling them to consolidate their multiple processing platforms to one across Australia, North America, the U.K., and Europe. In acceptance solutions, we continue to grow through both direct relationships with merchants as well as with acquirers. I'll give two examples of each. First, direct with merchants. We renewed our agreement with ShopeePay, a leading digital payments platform serving tens of millions of users, and expanded geographically from Singapore, Malaysia, and Vietnam to include the Philippines, Indonesia, and Thailand, and also expanded with additional products such as tokenization.

Speaker 2
17m 29s

Kareem Pay, part of Super App Kareem that serves over 50 million customers across the Middle East and North Africa, will utilize several value-added services, including Cybersource and account verification. On the acquiring side, in Saudi Arabia, Arab National Bank has selected Visa as their new partner for our Cybersource and risk solutions to offer to their merchant clients. We also signed with BAC, the largest acquirer in Central America, to provide Cybersource and tokenization to their merchant clients. In risk and security solutions, our Featurespace capabilities continue to resonate with our clients. This quarter, Tesis, an existing and important partner of Featurespace, will begin transitioning their tens of billions of transactions to our next-gen SaaS platform so they can benefit from continued innovation in our advanced AI scoring models in a scalable way. Moving on to advisory and other services, where our payments, consulting and marketing experience, data and analytics capabilities, and sponsorships help us to deepen our relationships with our clients. For example, Aeon Financial Service, one of our largest clients in Japan, renewed their credit relationship and will add consulting, managed services, and marketing services to help them grow. I'll call out two other examples of our consulting and marketing services at work.

Speaker 2
19m 3s

In Brazil, our consulting and technical teams are working with Caixa to help develop a super app for their over 40 million customers, enhancing digital engagement and loyalty. In the U.S., fintech Shine utilized our marketing services capabilities to support their brand campaign during the NBA playoffs this past quarter. With each of these four portfolios growing at strong levels, value-added services remains a powerful engine of revenue growth for our business. In conclusion, our third quarter results were strong. In Q3 and through July 21, even with the continued uncertainty, consumer spending remains resilient. Within the U.S., while spending growth differed among consumer spend bands, all spend bands in Q3 remained resilient and consistent with past quarters. Within spend categories in the U.S., we saw relative stability to Q2 when adjusted for leap year impacts. Both U.S. discretionary and non-discretionary spend growth remained strong, and we see no meaningful impact from tariffs. For cross-border, total volume growth excluding into Europe remained strong and above pre-COVID levels, even with continued impacts from currency weakness and travel to specific countries. While we are not immune to macroeconomic impacts, our business has proven to be diverse, resilient, and well-positioned to capture the significant opportunities ahead.

Speaker 2
20m 39s

We all know that as commerce evolves, so do buyer and seller preferences. We have proven our ability to anticipate these changes and deploy solutions that enable our expanding network of partners to meet and exceed the needs of their users. Visa has become a hyperscaler that enables anyone around the world to access the breadth, scale, and resiliency of our network across more than 200 countries and territories, 150 currencies, and nearly 5 billion credentials. Anybody that wants to be in the money movement business or the payments business can build on top of the Visa stack. As we connect billions of buyers and sellers through seamless, secure digital payments, we're very excited about how that'll help us enable innovative commerce as we drive Visa's growth forward well into the future. Now I'll hand it over to Chris. Thanks, Ryan, and good afternoon, everyone. Visa reached a record \$10.2 billion in quarterly net revenue in our third quarter, up 14% year-over-year, better than expected, driven by lower incentives, a lower FX headwind, and higher value-added services revenue. Net revenue was also up 14% year-over-year in constant dollars. Underlying business drivers remain strong. In constant dollars, global payments volume was up 8% year-over-year, and cross-border volume, excluding intra-Europe, was up 11% year-over-year.

Speaker 2
22m 15s

Total processed transactions grew 10% year-over-year. EPS was up 23% year-over-year in nominal and constant dollars, better than expected, primarily due to the strengthened net revenue growth. Let's go into the details. Total international payments volume was up 10% year-over-year in constant dollars in Q3, relatively consistent with Q2 when adjusted for leap year. U.S. payments volume was up 7%, with e-commerce growing faster than face-to-face spend. Credit was up 6%, and debit was up 7%. When we look at U.S. Payments volume year-over-year growth on a monthly basis, April was stronger than March, primarily due to Easter timing and some portfolio loss lapping that continued throughout the quarter. May was relatively in line with April, and June was softer, primarily due to the impact of both day's mix and bill pay timing. Putting it all together, total Q3 U.S. payments volume growth was generally consistent with Q2 adjusted for leap year. Now to cross-border volume, which I'll speak to in constant dollars and excluding intra-Europe transactions. You may recall that we expected Q3 total cross-border volume growth to moderate from Q2 and be slightly below Q4 of 2024, primarily due to the impacts of weaker currencies in certain countries and the Canada to U.S. travel corridor.

Speaker 2
23m 46s

In Q3, those impacts generally played out as we expected, with total cross-border volume year-over-year growth at 11%, e-commerce up 13%, and travel up 9%, even with some monthly variability. April benefited from Easter and Ramadan timing, and May moderated from April without this timing benefit. In June, we saw the growth step down from May, primarily due to further weakening of the U.S. dollar and a few smaller factors that largely reversed in July. As Ryan said, Visa's Q3 total cross-border volume growth was strong and remained above the pre-COVID trend. With that as a backdrop, I'll move to discuss our financial results, starting with the revenue components. Service revenue grew 9% year-over-year versus the 8% growth in Q2 constant dollar payments volume, helped by pricing and card benefits that more than offset the exchange rate drag. Data processing revenue grew 15% versus 10% in processed transaction growth, primarily due to pricing. International transaction revenue was up 14%, above the 11% increase in constant dollar cross-border volume, excluding intra-Europe, helped by elevated currency volatility and exchange rates, partially offset by hedging and mix. Other revenue grew 32%, primarily driven by advisory and other value-added services and pricing. Client incentives grew 13%, lower than expected, primarily due to two factors.

Speaker 2
25m 29s

First, deal timing, as we saw some expected deals shift out of Q3. Second, we expanded several client relationships, which led to updated incentive terms and one-time reductions in the associated accruals. Now to our three growth engines. Consumer payments revenue was driven by strong payments volume, cross-border volume, and processed transaction growth. Commercial and money movement solutions revenue grew 13% year-over-year in constant dollars. Commercial payments volume grew 7% year-over-year in constant dollars, accelerating slightly from Q2 adjusted for leap year, primarily due to the lapping of certain portfolio losses. Visa Direct transactions grew 25% year-over-year to 3.3 billion transactions, with strength in both domestic and cross-border P2P. Value-added services revenue was \$2.8 billion, with growth accelerating to 26% year-over-year in constant dollars. This was driven by strength across all portfolios and pricing. Operating expenses grew 13%, higher than expected, primarily due to a lower than expected FX benefit and higher than expected personnel expenses. Non-operating income was \$191 million, helped by investment income from higher cash balances. Our tax rate for the quarter was 17.3%, in line with expectations. EPS was \$2.98, up 23% over last year, with minimal impacts from both exchange rates and acquisitions. During the quarter, we issued EUR 3.5 billion of fixed-rate senior notes with maturities ranging between 3 and 19 years and interest rates from 2.25% to 3.875%.

Speaker 2
27m 34s

In addition, we bought back approximately \$4.8 billion in stock and distributed \$1.2 billion in dividends to our stockholders. At the end of June, we had \$29.8 billion remaining in our buyback authorization. Now let's move to what we've seen so far in Q4. Through July 21, U.S. payment volume was up 9%, with debit up 10% and credit up 9% year-over-year. Even when adjusting for lapping the weather and technology outages impacts from last July, we saw strong growth, primarily due to the timing of July 4, the day's mix impact I mentioned for June, now helping July, and the timing of promotional shopping events. Processed transactions grew 11% year-over-year. For constant dollar cross-border volume, excluding transactions within Europe, total volume grew more than 10% year-over-year, with e-commerce up 13% and travel up 9%. July total cross-border volume growth accelerated more than a point from June, as we saw improvement in both e-commerce and travel, primarily due to strong retail spend in e-commerce, the dollar strengthening versus certain currencies, and the reversal of a few smaller factors that impacted June. Now on to our expectations. Remember that adjusted basis is defined as non-GAAP results in constant dollars and excluding acquisition impacts.

Speaker 2
29m 13s

You can review these disclosures in our earnings presentation for more detail. For Q4, when we take the latest trends for business drivers and volatility, as well as our current view of deal timing, our adjusted net revenue expectations are unchanged in the high single digits to low double digits. On a nominal basis, this puts Q4 net revenue growth generally in line with first half of FY2025 nominal net revenue growth, which was about 10%. Moving to adjusted operating expenses, which we expect to grow in the high single digits to low double digits. Non-operating income in the fourth quarter is expected to be minimal, and our tax rate in the fourth quarter is expected to be between 18.5% and 19%. As a result, we expect adjusted fourth quarter EPS growth to be in the high single digits. For acquisition impacts, we expect a minimal benefit to net revenue growth, an approximately one and a half point contribution to operating expense growth, and an approximately half point headwind to EPS growth in the fourth quarter. Pulling it all together for the full year, we have no changes to our full year adjusted guidance, except for non-operating income, which we expect to be about \$250 million as a result of the third quarter.

Speaker 2
30m 41s

However, it is important to note that when you incorporate our performance year to date with our Q4 guidance, even though the full year guidance ranges are unchanged, we now expect our net revenue growth and EPS growth to be stronger than previously anticipated. It's also a good reminder of the strength of Visa's diverse business model, where in the face of changing conditions throughout the year, we still expect to deliver strong growth and leading profitability. As we look ahead and plan for 2026, while we're contemplating a variety of economic scenarios, the strength and diversity of our business model that I just mentioned, the resilience of the consumer, and our clear and effective strategy together give us the confidence as we make investment decisions to build the future of payments and drive long-term growth. Now, Jennifer, it's time for some Q&A. Thanks, Chris. With that, we're ready to take questions. Thank you. If you would like to ask a question, please press star one and clearly record your name. You will be announced prior to asking your question. To ensure all questionnaires are heard, we ask that you please limit yourself to one question. Once again, to ask a question, please press star one.

Speaker 2
31m 58s

To withdraw your question, please press star two. Our first question comes from Harshita Rowlett with Bernstein. You may go ahead. Hi, good afternoon. Chris, I want to follow up on the fourth quarter guide, if you can provide more color. Can you maybe help us kind of bridge the kind of deceleration from the third quarter? I know you talked about kind of FX volatility, to some extent incentives, but anything else to call out also, I think, with regards to cross-border? Thank you. Okay, good. Hi, Harshita. Yeah, so let's talk about Q4. We're expecting a fundamentally strong Q4 with strong drivers and continued resilient consumer spending. Now, the guide reflects reported growth in Q4 that is being impacted by the lapping of some items that we spoke about last Q4. Specifically, there were one-time impacts that reduced incentives to the lowest growth quarter of last year. If you recall, Q4 last year grew 6% incentives. We had a very strong VAS quarter related to the Summer Olympics, again, last Q4. If you normalize for those lapping items, those one-time lapping items for last year, Q4 growth. That is sort of the absolute description of Q4. Now, versus Q3, which was your specific question, Q3 was a very strong quarter, driven by strong drivers, higher currency volatility, strong VAS, and lower incentives, as we talked about.

Speaker 2
33m 28s

If I compare the two quarters, really the big differences are going to be currency volatility, which was high in Q3, especially early in the quarter, has settled down, and that is our assumption through the rest of Q4. The second one is incentives, where, again, Q3 benefited from one-time incentives that we talked about, that I talked about in my prepared comments, and Q4 is anniversarying the benefits that we saw incentives from a year ago. Normalize for those two things. Q3 is a strong quarter. Q4 is a strong quarter. And when you add it up, we're going to finish very strong FY25, higher than we thought entering the quarter. Next question, please. Thank you. Our next caller is Tinjen Thuysbaert with JPMorgan. You may go ahead. Hi, Tinjen. Are you there? I am. Can you hear me, Jennifer? I'm sorry. Yes, now we can. Now we can. Okay, no. Thanks. Yeah, no, my name is the hard one. Just wanted to, maybe I'll ask on investment priorities, if that's okay. I'm just curious if that's changing at all, given, I know, Ryan, you've talked a lot about AI and stablecoin to us here intra quarter. I'm just curious if your priorities have changed, because it does look like OpEx is running a little bit higher in fourth quarter reported, implies not much operating leverage.

Speaker 2
34m 55s

I'm just curious if you're changing some of your investments there, given some of the news, Genius Act, etc. Hi, Tinjen. Let me talk about your question around priorities, and then I'm actually going to have Chris just talk briefly about OpEx, because I think there's a very clear explanation that'll be helpful to you. In terms of priorities, no change from what I've been talking about publicly. We have a deep and rich product pipeline. We feel great about the products that we put out into market, both the ones that we've deployed and the ones that we announced at our product drop in April. We're always nipping and tucking in certain markets and adjusting kind of where we're going to go launch in this country versus that country. No, overall, priorities remain the same. We feel great about the momentum that we have in market and continue to drive that forward. Chris, I think he was teed off a little bit by the OpEx part of his question. You want to just address OpEx in general? Let me address that. I'll talk about Q3 and Q4. Q3, OpEx did come in a little higher than we anticipated. There was a couple of things.

Speaker 2
36m 4s

One was the FX benefit was less than expected. The second one, which I mentioned on the call, was higher personal costs. Just to click into that, specifically, the overage came from higher costs related to the mark-to-market of the deferred compensation liability. Just for clarity, that's EPS neutral, is because we record the equivalent gain on that mark-to-market in NOI, and that contributed part to the NOI overperformance. As far as Q4 goes, as Ryan talked about, we're investing in many things across our broad business to drive growth, and we're anticipating to grow OpEx in the high single digits to low double digits. We're doing all that investment and growing OpEx in line with revenue for Q4. Next question, please. Thank you. Our next caller is Trevor Williams with Jefferies. You may go ahead, sir. Great. Thanks very much. I wanted to go back to the spread between international transaction fees and the nominal cross-border volume. I think this quarter that spread was less than one point, even though, Chris, you called out currency vault being up pretty significantly year over year, and I think hedging and mix were the main offsets that were also mentioned. If you could just expand on both of those, and then especially on mix, you guys have been clear about U.S. inbound travel having slowed.

Speaker 2
37m 22s

I'm just curious how much of an impact that's having overall on the yield dynamic there. Thanks very much. Yeah. Sure, Trevor. Let's go into all the different components, as you called out. The two numbers that I'll reference is the 11% growth in total cross-border versus the 14% international. As you point out, the spread shrinks on a nominal basis. The three factors were higher currency volatility. We've talked about that at length. The other two items, hedging, which is in line with our strategy to mitigate cash flow impacts of FX movements. In this quarter, we had a hedging loss that offset a portion of the favorable impact of the weaker U.S. dollar. The third one being mix. You mentioned Canada to U.S. That is a variable in here. Across our business, the composition of our yields can and does vary. Different clients, different regions. That is the example I will use. The U.S. inbound is one of our higher yielding corridors, and that is being impacted by the Canada to U.S. volume. The mix can certainly be an offset to the higher volatility. Those are the puts and takes for the quarter within that line specifically. All in all, we're pleased, again, that revenue, whether it's in international or in data processing or services, we're outgrowing volumes in all three categories.

Speaker 2
38m 46s

Next question, please. Timothy Cha with UBS. Please go ahead. Great. Thank you for taking the question. I want to see if we can dig in a little bit to Visa Direct. On our estimates, it's becoming a more important part of the volume growth algorithm, and particularly for debit. I wanted to see if we could hit two topics. One is some of the newer or faster growth use cases. One in particular that you mentioned earlier in the prepared remarks around banks signing up to use Visa Direct as their cross-border platform. The second item I was hoping we could touch on is some of the pricing dynamics. At the investor day, there was a slide that showed the roughly 9-10 cents yield on Visa Direct. I was hoping you could talk a little bit about the pricing strategy there and to the extent that that may or may not be evolving to maybe add some ad valorem fees and whether or not that might have contributed at all to any of the strength in data processing. Thank you. Hi, it's Ryan. I'll try to hit the high points of what you're asking there. Thanks for the question on Visa Direct.

Speaker 2
39m 48s

Love talking about Visa Direct. Coming back to the top of your comments, and we shared this at investor day as well, we now crossed the 10 billion transaction mark, at least on a rolling 12 months, which we're very excited about. I think Visa Direct has really scaled in a meaningful way. As I mentioned in my prepared remarks, it is the largest at-scale money movement platform in the world, however you want to measure it, whether it's endpoints or transactions or volumes or partners or what have you. The investments that we've made in that platform over time are what are helping our sales teams and client teams around the world sell into a lot of these new and exciting use cases. You mentioned the banks enabling and embedding Visa Direct as their cross-border money movement platform. That is something we've been very focused on, and we're having good success. I believe there's a big opportunity here. I think there's a big opportunity for banks around the world to play a more direct role in money movement. When we're sitting and talking to our bank partners around the world, they often recognize that a lot of their users are leaving their bank app and maybe going to another fintech or another money movement platform to send remittances, for example.

Speaker 2
41m 16s

They view that as a lost opportunity. They are using Visa Direct to power a remittance platform and a money movement platform and embed that in their app so that they can deepen their relationship with their users. Their users are getting more value from their financial institution and ultimately driving more value as well. In terms of the pricing and the yield dynamics, it really differs. We price to value, as we always talk about on this call. The competitive dynamics are different in every vertical, in every use case, in every country around the world. We're going up against different competitors in Syria than we are in Latin America, than we might be in Europe. The pricing has different components to it as well. Just because we talked about the yield in cents per transaction, do not necessarily assume that reflects all the different pricing, whether it's the remittance topic that you asked about specifically or just Visa Direct in general. We talked about it in that way because that's generally the right way that we think to think about the revenue dynamics is kind of what are we earning in cents per transaction. As we said during investor day, it's similar yields to what we're seeing in the debit business globally.

Speaker 2
42m 28s

Feeling good about on all those fronts and the momentum that we have in the Visa Direct business. Next question, please. Thank you. Gus Gallo with Monness Crespi Hard. You may go ahead, sir. Hey, Chris Suh. Thank you for letting me on for the call. Street is currently looking for an acceleration in volume transactions this 2026. If we think of the macro kind of persisting from June or July levels kind of there and bank activity level kind of staying where it is, is that kind of a realistic expectation? On the comments on the lower, there was large peer Fiserv commented on lower bank activity levels. You mentioned deal timing being moved back in prep remarks. Any part of the stack or transaction where that is maybe happening within VAS or parts of VAS where that is more acute? I mean, granted, you guys still accelerating the quarter, but just any color around that would be very helpful. Thanks. Why do not I take the second part of the question on VAS, and then you can address the first part of the question, which I think was a question. You were going a little in and out, so sorry to—I think it was a question around 2026.

Speaker 2
43m 44s

We really feel great about the momentum in the value-added services business. As you heard in both my and Chris's prepared remarks, firing on all cylinders across all of the different businesses, maybe just as a reminder in terms of how we are thinking about the overall VAS strategy, because I think you are seeing the results of that strategy now. We have been focused in our VAS business for a long time about enhancing Visa transactions, making Visa payments safer, simpler, easier, more reliable. That has been historically how we have generated the most of the VAS revenue that we have generated. Where we're really seeing a lot of success is in the two additional strategic levers that we talked about. The second is putting our VAS to work, enabling all different types of payments: other card payments, account-to-account payments, digital wallet payments, partnering with RTP networks around the world, and digital wallet players. I mentioned in my prepared remarks the partnership that we have in Brazil to power PIX payments. We are really starting to see a lot of momentum in this second leg of the strategy by putting our VAS to work to enable all different types of payments. Then the third area, which is really going beyond payments and helping our clients with a whole range of things from marketing to managed services to strategy to analytics to data.

Speaker 2
45m 11s

There too, in my prepared remarks, you heard a lot of great examples from all around the world of the success we're having in that area. Good progress, good momentum, and you're starting to see kind of the strategy that we talked about a couple of years ago really start to come through in the performance and the numbers. Chris, I think there was a question about 2026. Let me comment on 2026. Obviously, we're focused on closing Q4 and finishing FY25 strong, but we are also in the planning phases for FY26. Broadly, we see tremendous opportunity across our three growth engines: consumer payments, CMS, and VAS. As we think about 2026, we're evaluating several drivers and parameters, including various macroeconomic scenarios, expected client renewals, and pricing in both the card-present and card-not-present environment, as well as the investments we want to make to build the future payments. We will have a lot more to say about 2026 in our next earnings call. Next question, please. Will Nance with Goldman Sachs, please go ahead. Hey, guys. You got all the way to me here without getting a stablecoin question. I will ask one on the remittance space, which you guys called out as a potential use case.

Speaker 2
46m 28s

Could you talk a little bit about how you see the role of stablecoins in that space? Is it on the pricing side, the settlement side, and do you expect the value of the role that stablecoins play to accrue to the service providers in that space, or do you expect it to accrue to the consumers in the form of lower pricing? Thank you. Thanks, Will. A lot in there. As you know, it's early days, but we see a lot of opportunity, specifically in remittances, and as I said in my prepared remarks, more broadly in cross-border, whether it's P2P or B2B. Let me hit a couple of points. First is Visa Direct. Visa Direct, as you know, is our remittance platform, and it is a network of networks that enables money movement all around the world in lots of different currencies. We're able to push money to, I think it's 14 billion different endpoints now, whether it's cards, wallets, or bank accounts. For some of those use cases and some of those corridors, the money movement and transactions are near instant. Sometimes, for example, sending money from a Visa card to a bank account in an emerging market, we're reliant on local banking infrastructure.

Speaker 2
47m 50s

In these types of use cases, stablecoins could enable us to have faster cross-border transactions. By the way, that's true for consumers or for businesses. We've been testing that out and having some good results. We've been testing a series of corridors and putting stablecoins to work directly versus the fiat currency money movement options that we're able to deliver to our clients and their users today. At this point, we've got a pretty good sense on which corridors we can provide faster money movement, cheaper money movement, which ultimately is value, I think, that will accrue both to end users and to our clients. We're working through all of those things. I do think, as I said in my prepared remarks, that there is real product-market fit for stablecoins in remittances for certain corridors. As the largest money movement platform around the world, we're going to be an early adopter of a lot of those things on behalf of our clients and their end users. Next question, please. Thank you. Dan Dolev with Mizuho. You may go ahead, sir. Thank you. Just tying the two things together, really strong VAS growth and stablecoins. Has the growth been helped by your services and consulting that you're providing on stablecoins?

Speaker 2
49m 17s

Are you monetizing that? If I could squeeze in one housekeeping question on sort of the right way to think about incentives, mid-20s in the fourth quarter and heading into the 2026, if you can answer it. Thank you. Okay. I'll let Chris answer the question on incentives. Thanks for your question on advisory. Our advisory business has been doing strong growth all around the world for a while now. As you alluded to, and as I think you would expect, the most complicated, most impactful topics that are happening around the world in money movement are the ones where we're engaging with our clients. Yes, on stablecoins and crypto more broadly. We launched our crypto advisory practice several years ago. I can't remember now. Our clients, both issuers and people on the seller side of the ecosystem, have really come to rely on our team of experts around the world to help them inform their strategies. That leads to opportunities for us to put our products and services to work. For example, the Visa Tokenized Asset Platform is a platform that we have built to help financial institutions issue and mint and burn stablecoins. When we are working with them on their stablecoin strategies, that is a natural opportunity for us to kind of embed a platform like that. We are also having a lot of success working with our clients on agentic, both AI broadly in terms of how they are running their companies, but specifically, as you would imagine, the implications and the products and services that they are going to need to bring to market to win kind of in the agentic space.

Speaker 2
51m 3s

Those are just a couple of examples. I just want to take the opportunity to say thank you to our teams all around the world that have been working with our clients on all those tough topics and really helping them and serving our clients in a meaningful way. Chris, I think I had a question about incentives. Yep. Q4 incentives was the question. I want to provide a little bit of context. A lot of what I'm going to say is things that were in my prepared comments, but also reminding you of some of the things that we said in previous quarters. As we've communicated all this year and earlier in my comments, we expected incentives to step up sequentially into Q3 and into Q4. As a result, we have always consistently expected Q4 to be the highest growth quarter of FY25 from an incentive point of view, in part because of the lapping that I talked about in the Q4 number when we talked about the lapping of the one-time items. Also, what I spoke about last quarter, which was the impact of performance adjustment and some deal timing that occurred prior to Q3. When you add that all up, Q4 was going to be the high point for incentives.

Speaker 2
52m 9s

That all said, again, I'll just reiterate our guidance today. Our view of adjusted net revenue for Q4 is unchanged from the view that we had a quarter ago, even after contemplating all the re-estimation of the current volatility outlook drivers and our latest view of deal closures into Q4. It's going to be a fundamental strong Q4 to cap off a strong FY25. Next question, please. Darren Peller with Wolfe Research. Please go ahead. Hey, thanks, guys. Could we just touch on, number one, the pricing dynamic that we're seeing in data processing and the spread between growth on revenue and volume was obviously strong. Just maybe explain a little more of what's going on behind it, where you're seeing the value on raising price there and just the timing on it. Is it sustainable? And then just to revisit incentives also on timing also, because I think this year, fiscal 2025, was supposed to be a higher year of renewals. I think you had talked about 20% of the book or something along those lines versus a norm more like 15%. Is that still the case? And would we expect that to be more normalized next year? Thanks, guys.

Speaker 2
53m 17s

Okay. I'll take both of these, Darren. Pricing, again, I'm going to go back to some of the things that we said earlier in this year. When we entered this year, we said the pricing benefit in FY2025 is going to be similar to FY2024, but the timing would be more back half-weighted. If you recall in Q1 and Q2, when we were having these conversations about revenue versus yield, pricing was less benefit than we might typically see in half-one consistent with that timing of pricing. Pricing is now back half-loaded, and we're having a more concentrated impact in Q3 and Q4. That's really sort of what's happening. It's great that we see revenue outperforming volumes on data processing and a number of other spots. In terms of your second part of your question around the amount of volume of deals and deal timing, you are correct. 2025 is a bigger year for renewals than 2024. You quoted the 20% number. We still believe 20% of our PV is impacted this year above the 15% last year. It is just more deal activity. As you know, the deals are long in duration, increasingly more expansive, which inherently brings the level of complexity.

Speaker 2
54m 35s

These are important deals, and sometimes they take a long time to get right, and we are going to take the time to get them right. The good news is we feel really good about the success we are having renewing and expanding our client partnerships. As you can see, the timing can vary a bit from quarter to quarter. Next question, please. Fahad Kunwar with Rothschild & Co. You may go ahead. Hi there. Thanks for all the answers to the question. Super helpful. I had one more on incentives, if you do not mind. If I go back a little further, incentive growth is a percentage of revenues and going up about a percentage point a year for the best part of 10 years. It does feel like in the last kind of year and a half, it stabilized, or at least in the last year, at that 28% level. I know you talk about renewal cycles now, but is this an inflection point? Do we think that incentive growth now broadly runs in line of revenues and that kind of trend line up has kind of inflected to be flat, or is there something else that we are missing or some other change as to why we might see an inflection back upwards to that old growth rate?

Speaker 2
55m 42s

Thanks. Sure. I'll take this one as well. No, I mean, it's just honestly not the way that we think about our business. This is consistent with the way we've been talking about net revenue growth, and that's our focus. We're growing volumes. We're growing net revenues along with our partners, and incentives are simply a tool for us to achieve mutual goals. It does get impacted, of course, by the volume of expirations and renewals, and it can vary from year to year. I certainly am not going to comment on sort of the relationship between those two. We're driving net revenue growth and driving volumes, and that's the most important thing. Next question, please. Nate Svenson with Deutsche Bank. Please go ahead. Hi, guys. Thanks for the question. I wanted to talk a little more about cross-border trends, especially travel. I know you gave some color in the prepared remarks, but it looks like we've had a couple of soft months here in June, maybe a little bit of recovery in July month to date. Hoping you can give an update on what you're seeing specifically in international travel in your book of business, maybe what bookings look like, what impact recent FX moves are doing to consumer demand, etc.

Speaker 2
56m 52s

Anything to call out on specific corridors. I know we talked about inbound U.S. from Canada, but anything like Europe to U.S. or any other changing dynamics you've seen maybe over the past three months or July month to date. Sure. Okay. Let's talk cross-border. This one, we'll sort of try to break into a fair level of detail, so bear with me. Just starting from the top, just so we have sort of a complete picture, cross-border growth in Q3, as we reported, 11%. That is exiting into Europe in constant dollar, largely in line with the directional expectations that we had set at the beginning of the quarter. We did see variation from month to month for the factors that we talked about: holiday, timing of Easter, Ramadan, weakness in currency, US to Canada, all those things that we had anticipated to happen in Q3. Much of it did play out. We did see the US dollar weaken further, which may have impacted the June month as well. Obviously, in July, you referenced this as well. We have seen it accelerate more than a point from June. We have seen that improvement in both travel and e-commerce related, we believe, due to the dollar strengthening again in July versus certain currencies.

Speaker 2
58m 8s

We also see strong retail spend in e-commerce and the reversal of a few of the smaller factors that we referenced in June. Obviously, the growth rates month to month, it's a little bit fluid, and we're likely to see it continue to be fluid as long as we continue to see currency exchange movements at the speed and pace that we're seeing it. We also do not believe circumstances like the current Canada to U.S. corridor are permanent structural changes either. We could see some strengthening there, or we could see further sort of impact from sentiment around the world. Specific to corridors, which is the second part of your—I will give a few examples. We have talked extensively about Canada to U.S. That is remaining relatively consistent. U.S. outbound, historically, that has been very sensitive to the strength or weakness of the U.S. dollar. With the recent weakening, US outbound, we believe, has been impacted in a correlated way. AP currency has remained weak as well and has continued to remain weak across a number of markets in AP, and that is impacting travel there as well. Of course, the timing of various holidays. Easter, which had a larger impact in Europe, and Ramadan, of course, had a larger impact in Samea.

Speaker 2
59m 32s

Those are some of the things that we are seeing from a corridor standpoint. Again, if we zoom out of the month to month and we look at cross-border in total, the overall level, the data, the trends, and we understand sort of the currency impacts that can have—that can show up. Cross-border volume, we think in total, has remained strong and above pre-COVID levels. Last question, please, Michelle. Thank you. Sanjay Sakhrani with KBW. You may go ahead, sir. Thank you. Had a bigger picture of stablecoin question. Totally understand that Visa can add stablecoins to its suite of payment methods, link it to its products and services and acceptance network. I guess if we pull up on the long runway to tap into the large revenue TAM and payments, Ryan, do you think stablecoins dilute that, or do you think it keeps it the same? Does it add to it? When does it become a material contributor in your view? By the way, those Chime ads during the NBA playoffs were pretty good. Thanks. Sanjay, you're the best. I think you go back to the product-market fit that I described. If you agree with that, which clearly I do, I think it's a lot of opportunity for us.

Speaker 2
1h 0m

Why do I say that? The first, on the emerging markets use cases, the bulk of those markets around the world are very cash-rich markets. The bulk of those markets around the world are markets where we haven't been as successful digitizing cash as we have in more mature markets. To the extent that stablecoins get adopted in a broad-based way by both consumers and businesses, and assuming that we are able to continue to have success with our playbook of making Visa cards the preferred way for people who have stablecoins in those markets to pay for things, I think that could accelerate our progress digitizing consumer payments and small business and commercial payments in those markets. The second area of product-market fit that I mentioned was cross-border. As you know well, the cross-border TAM, in terms of whether it is remittances or B2B money movement, those are enormous TAMs that we are still relatively low in terms of our penetration of those as well. I think to the extent that we can do the types of things I was mentioning in the question that Will asked earlier for remittances on our Visa Direct platform, that is going to be an opportunity for us to continue to expand and accelerate our growth in remittances.

Speaker 2
1h 2m

I am genuinely optimistic about what stablecoins could do to accelerate our progress digitizing flows, whether it is consumer payments or opportunities in CMS, and we will continue to update you as we learn more. With that, we would like to thank you for joining us today. If you have additional questions, please feel free to call or email our investor relations team. Thanks again and have a great day. Thank you all for participating in Visa's fiscal third quarter 2025 earnings conference call. That concludes today's conference. You may disconnect at this time, and please enjoy the rest of your day.