Q4 2020 Earnings Call

Company Participants

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

Other Participants

- Bob Napoli, Analyst
- Bryan Keane, Analyst
- Dan Dolev
- Dan Perlin, Analyst
- Darrin Peller, Analyst
- Jason Kupferberg, Analyst
- Lisa Ellis, Analyst
- Ramsey El-Assal, Analyst
- Sanjay Sakhrani, Analyst
- Tien-Tsin Huang, Analyst

Presentation

Operator

Welcome to Visa's Fiscal Fourth Quarter and Full Year's 2020 Earnings Conference Call. (Operator Instructions) 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, Jordanne. Good afternoon, everyone, and welcome to Visa's fiscal fourth quarter and full year 2020 earnings call. Joining us today are Al Kelly, Visa's Chairman and Chief Executive Officer; and Vasant Prabhu, Visa's Vice Chairman and Chief Financial Officer. This call is being webcast on the Investor Relations section of our website at www.investor.visa.com. A replay will be archived on our site for 30 days. A slide deck containing financial and statistical highlights has been posted on our IR website.

Let me also remind you that this presentation includes forward-looking statements. These statements are not guarantees of future performance, and our actual results could differ materially as the result of many factors. Additional information concerning those factors is available in our most recent reports on Forms 10-K and 10-Q, which you can find on the SEC's website and the Investor Relations section of our website. For 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 {BIO 2121459 <GO>}

Hey, Mike, thank you and good afternoon everyone, and thank you for joining us today. Our fiscal 2020 starting off very strong and this COVID-19 spread across the globe, certainly, our business was impacted. As a result, we were quite thoughtful during the year, adjusting our expenses, yet we continue to invest to key initiatives to support and fuel growth.

Let me say a few highlights from fiscal 2020 that we illustrate our continued momentum. Over $185 billion payment transactions and almost $9 trillion of payment volume were made on Visa credentials. Acceptance points grew 16% to nearly 70 million merchant locations and that only count our partners by PayPal, Square and Stripe as one each. Contactless penetration grew to 43% of all face-to-face transactions around the world, 65% excluding the United States. US tap-to-pay cards reached $255 million and globally, they were 23 countries that increased their penetration by 25 points or more over fiscal 2019.

We expanded wallet partnerships which now represent over $2 billion in potential credentials and nearly 70 million additional potential acceptance location. Globally, the number of active credentials in e-commerce excluding travel rose 14% since January, reinforcing the continued shift by consumers online shopping. We renewed about 25% of our payments volume in fiscal 2020 with key clients and secured several new wins, over 50% of Visa volume is now been renewed over the last two years.

We expanded tokenization globally crossing the 1.4 billion tokens milestone and enabling over 8,300 issuers across 192 markets. Visa Direct grew to nearly 3.5 billion transactions utilizing 16 card-based networks, 65 domestic ACHs scheme, 7 RTPs scheme, and 5 payment gateways. More than 5,000 client users accessed over 450,000 reports for our Visa Analytics platform, a powerful application suite that delivers data driven insights and industry benchmarks. And finally, several large acquirers leveraged CyberSource's robust omnicommerce payments offerings to support their merchant customers with innovative capabilities.

With that backdrop, today I'd like to first discuss our results, then I'll highlight some key client wins in the quarter and client momentum from recent deals contributing to our current performance across our three growth levers: consumer payments, new flows and value-added services. Lastly, I'll provide very brief initial thoughts on 2021.

To start, our fourth quarter results, while the underlying business was in various stages of recovery, we saw the acceleration of cash digitization through debit, e-commerce and tap-to-pay and the penetration of new flows through Visa Direct. We also advanced our value-added services led by CyberSource, security and identity products, and our consulting. Payments volume, process transactions and cross-border volumes were all showed positive momentum exiting the quarter. From Q3 to Q4, payments volume improved 14 points, process transactions improved 16 points, and cross-border volume improved 5 points.

Net revenues in fiscal fourth quarter were $5.1 billion, a decrease of 17% in constant dollars. The decrease in net revenue was approximately 11%, however, with service revenues recognized on a current quarter payments volume basis. Non-GAAP EPS was $1.12, a decrease of 23%. Given our strong ability to generate cash flow, we returned $2.3 billion of capital to shareholders in the fourth quarter.

Now looking ahead, our strategic focus in 2021 remains the same. Accelerating our growth through consumer payments, new flows and value-added services, all while fortifying the key foundation of our business model, our brand, security, technology and talent. In consumer payments, we've had success with traditional financial institutions, wallets and fintechs, as well as merchants. First, let me hone in on Europe, which is definitely been a key focus for us since the acquisition just over four years ago. Our first Visa client in Europe from 1974 Corner Banca in Switzerland renewed their credit relationship and extended into debit for the first time ever. In Denmark, Jyske Bank will migrate over 200,000 debit cards from a local card scheme to Visa in order active Visa's risk, data and other value-added services.

Last quarter, I spoke about our win of the UBS debit business and this quarter we also renewed the credit business as well. In the wallet, Samsung Pay will put virtual Visa debit cards in all Samsung devices in Germany. For those issuers in Europe who want to offer a wallet solution to their customers without developing it themselves, we recently signed an agreement with the digital wallet company Vipps. And wrapping up Europe with fintech progress, let me highlight global fintech Revolut, who chose us late last year to be their lead issuing partner. In 12 months, Revolut has issued nearly 7 million Visa credentials in over 34 markets. We plan to expand more in the coming year.

Let me now move to success with traditional FIs in other parts of the world. ING, one of the largest banks in Europe, recently expanded their long-term global partnership with Visa for their consumer and commercial cards in 12 countries across Europe, EMEA and Asia Pacific. In Asia Pacific, we renewed with one of the top five banks in China, Bank of Communications and we've strengthened our strategic partnership with Malaysia-based AmBank who will now become an exclusive Visa credit card issuer.

In the United States, we recently won the inaugural debit card for markets by Goldman Sachs' digital checking account. With millions of customers, market has continues to create new products, create a full service digital bank and we're excited about the opportunity to help make checking with debit card functionality and attractive part of their growing product set. Also in the United States, we announced in the first quarter that we have secured the Venmo credit card and are pleased that it has started to rollout unlocking new ways for Venmo and its community of more than 60 million users to shop, share and split purchases, and our own custom automatic cash back everywhere Visa is accepted.

Shopee, the leading e-commerce platform with a large user base in Southeast Asia and Taiwan is launching a Visa co-branded card across five Southeast Asian markets. And our traditional wins in the fourth quarter capped a successful year of renewals that went into effect with key partners, including Bank of America, Capital One, Barclays, (inaudible) and Al Rajhi.

Now let me turn to expanding access with digital wallets in FinTechs which are critical to growing credentials and acceptance globally. In the last 90 days, we signed multiple deals with digital wallets including Yandex in Russia, Wing in Cambodia, PAYCO in Korea, (inaudible) in Argentina and Easypaisa in Pakistan. These wallets represent tens of millions of potential credentials. Our existing wallet relationships that continue to grow this year Rappi, Latin America's Super App with over 30 million users is now expanding into financial services with the new division Rappi Bank and it has chosen Visa as their exclusive network in payments provider. Rappi will leverage their deep knowledge in their existing nine markets to create new payment solutions that drive digital inclusion and cash digitization that is for their users but also their Korea's restaurant partners and small businesses.

In Asia Pacific, in the last year, LINE Pay added one million credentials and now is approximately 3.5 million total Visa credentials across Taiwan and Japan. Our partnership with Paytm in India spend both acquiring and issuing and this year the relationship resulted in approximately 80,000 incremental acceptance points and 1.4 million incremental credentials. We also see cash digitization opportunities with merchants providing payment services to their customers.

Through to highlight from this quarter and they're both from Latin America. We're extending our partnership with Oxxo, the leading convenience chain with nearly 20,000 stores in Latin America as they establish a new FinTech arm. This business will exclusive issue Visa credentials in the Oxxo wallet and through their stores to further their reach of the undue and unbanked. Visa also partnered with Natura and Company, the fourth largest beauty group in the world to enable financial and digital inclusion. Through a financial services platform, they're nearly 4 million direct selling consultant representatives in the region, who will be able to access a digital account of Visa credential and NAM NAM pass among other services. This progress in consumer payments is also prevalent in new flows as the pandemic is accelerating the migration to digital payments. Governments, merchants and consumers all seek fast, safe and secure ways to move money.

Let's look at a few new flows, cross-border P2P is a Visa Direct use case with significant potential and we made meaningful progress this quarter. Ozone in Turkey plan to launch a global mobile remittance service in early 2021 for the underbanked and gig economy workers representing over a quarter of Turkey's 83 million population.

In Russia, the VTB Bank, the second-largest bank in Russia with 15 million customers is utilizing Visa Direct for card-to-card transfers across 64 countries. Additionally, in Russia, KoronaPay, a leading remittance center -- system, I'm sorry, will leverage Visa Direct for cross-border money movement. And TD Bank in Canada is offering their retail customers, our mobile platform for P2P with cross-border capability.

Earned wage access and payroll or other use cases that are growing an important throughout the pandemic. This quarter, Wagestream the market leading earned wage access provider in Europe signed on to Visa Direct. Also in the two months, since with earned wage access US provider Immediate launched Visa Direct as the payment option, the near real-time method is already accounting for 50% of Immediate's disbursements. And P&C in the US is providing their commercial clients B2C disbursement solutions such as traditional payroll processing, another new flows with B2B which represents $120 trillion volume opportunity.

On the card based, B2B front in the wake of COVID, we are seeing increased interest for digital payments including virtual cards. We are addressing this demand, by one, engaging with a broad range of issuers and partners, two, expanding into new verticals, and three, investing to streamline operations and enable acceptance. First, in terms of supporting issuance, Visa payables automation which enabled issuers to efficiently offer virtual cards to their corporate clients and sent back that said data back to the buyer to aid and reconciliation to an increase of issuers and partners in the platform by almost 50% in FY'20.

Second, relative to expanding into new verticals, we are expanding partners and use cases for virtual cards beyond OTA. In Q4, we launched e-pay -- we launched with e-pay in China to support a virtual card program involve OTA and education. We also announced the new set of solutions partnering with Stripe to enabled buyers to use virtual cards for payments and the initial user as a Citibank healthcare client. And third, investing to streamline operations and enable acceptance together with partners like Boost of FinTech focus and B2B payment acceptance. We are expanding commercial card adoption by streamlining the manual acceptance processes for suppliers enabling automated data reconciliation and offering flexible economics.

And now let me turn to our third growth lever value-added services. Value-added services grew 15% in revenue in the fourth quarter and 18% for the full year, a testament to the resilience of this business as well as the demand from our clients for support. Often our value-added services are sold with a brand deal, but many times they're sold after or even on a standalone basis. Permanent TSB in Europe renew their credit and debit business earlier this year and subsequently signed an agreement with Visa to launch Visa transaction controls, which will provide a powerful convenient way for cardholders to track and manage all payments activity on enrolled accounts and tokens.

In seller solutions, both merchants and acquirers of actively thought CyberSource's offering throughout the pandemic. CyberSource sales direct to merchant and also through robust and fast growing indirect channel with acquirers, who can leverage our platform to provide the latest digital capabilities in order to attract and maintain merchants. With that in mind, we are very pleased that Barclaycard, one of the largest acquirers in Europe will utilize CyberSource to support their merchant digital payment journeys, e-commerce and omni-channel requirements. We've also established relationships with acquirers in other regions. This quarter in SEMEA, we signed CyberSource deals with HBL the largest e-commerce acquirer in Pakistan, Equity Bank Group in sub-Saharan Africa and Bank of Abyssinia in Ethiopia.

Before I close, a few words on the acquisition we announced yesterday. YellowPepper is a software company with a platform that we see as the universal adapted that allows clients to connect and scale new innovative capabilities without having to expend significant technology resources. Through a single API based connection issuers, processors and governments can access YellowPepper's rich set of APIs to initiate secure, real-time money movement transactions across a variety of payment rail using a simple alley like an email address or a phone number.

For Visa, the acquisition extends to our network of network strategy by significantly reducing the time to market and cost for issuers and processers regardless of who owns or operates the payment rails. It supports our financial institutions in their quest to modernize the infrastructure and access network agnostic solutions and facilitate an easier -- and it facilitates an easier integration to Visa Direct and Visa B2B Connect, which will help to grow new flows and transactions. It enables the further adoptions of value-added services both hours of Visa's as well as YellowPepper's. We're excited about the deal and we expect to close it in the next few weeks.

In terms of Plaid, I want to say two things. First, we continue to engage with the Department of Justice on the review of the acquisition. Second, the Department of Justice's lawsuit yesterday against Visa and Bain & Company is related to a dispute over documents they requested as part of the review of the deal. Beyond that, we're not going to comment further.

To close, this pandemic has touched all of us. Through it all, I think my resilience of our clients who worked hard to be there for their customers despite the many obstacles. I also have to pay tribute to the more than 20,000 extraordinary people who work at Visa. My colleagues have demonstrated dedication, creativity and professionalism in the face of extraordinary challenges. In 2021, we remain committed to making the changes necessary to ensure our organization better reflects the world in which we live and work. Visa is proud to lead, lend our support in the fight for racial and social justice within our four wall and beyond.

In terms of 2021, Vasant will provide a good deal of detailed commentary. So let me just make a few brief points. In 2021, we'll continue to manage the business for the medium and long-term, we're recognizing the nearer term realities. This means: one, we will focus on the opportunities that are being accelerated by COVID-19. Two, we will continue to invest to grow our business and three, we will be thoughtful about controlling discretionary expenses. To be clear, while our business faces clear uncertainty we have too many attractive growth initiatives to pull back on the future. Our long-term strategy which recovered in depth just eight months ago at our Investor Day remains more relevant than ever. And I believe Visa has a tremendous opportunity to continue to trends, weaken transforming, secure, reliable and efficient money movement for everyone everywhere.

With that, let me turn microphone over to Vasant Prabhu.

Vasant Prabhu {BIO 1958035 <GO>}

Thank you, Al, and good afternoon, everyone. Q4 was the first quarter of recovery from the global shutdowns. I'll start with some high level observations on the trajectory of the recovery so far. First, the debit business has been the major beneficiary of the accelerated shift to e-commerce and the shift away from cash even for in-person transactions. In the US, debit is growing at twice the rate it was pre-COVID and international debit growth has stepped up from 11% to 13% pre-COVID to 17% in the fourth quarter. Debit stayed resilient through the shutdowns growing 8% in the US in Q3, and declining only 3% in international markets. Debit growth was strong and stable through the fourth quarter.

Second, credit was hit hard by the pandemic, declining 20% globally in Q3. However, credit has been recovering fast, exiting September, down only 5% in our major markets steady improvement through the quarter. Third, as economy is reopened, card present growth in major markets bounced back shortly from 44% decline in April to a 4% decline in September, a 40 point in recovery. Even as card present volume rebounded card-not-present growth remained robust. Card-not-present volume excluding travel grew 20% in April, 29% in May, and 33% in September. Consumers worldwide are sticking with habits formed during the shutdowns.

Fourth, the cross-border recovery has been sluggish, since borders remains closed or there are significant impediments to crossing borders like quarantine and other such restrictions. From May through August, cross-border volumes were persistently down in the mid 40% range. September saw a 6 points recovery, which has continued into October. This recovery was driven by a few corridors, where travel is now relatively friction-less, like travel from the US to Mexico and the Caribbean. Travel from and to the Persian Gulf States and travel to Turkey. The sharp recovery in these corridors provide some early indicators for how cross-border travel may recover and borders duly opened.

And finally, the recovery so far has been uneven. V-shaped for domestic volumes, but L-shaped for cross-border volumes. The cross-border business remains a significant and continued drag on revenue growth. As a result, net revenue declined 17% in the fourth quarter approximately 11% when you adjust for the service fee lag. This is 10 points better than a similarly adjusted third quarter driven primarily by the domestic rebound.

Moving now to a review of our key business drivers. In Q4, US payments volume was up over 7% with consistent growth through the quarter. October volumes through the 21st, are up 9%. Debit was up 24% in Q4 and up 22% in October. Credit declined 7% improving through the quarter. In October, through the 21st, credit is declining 3%. Card-not-present volume excluding travel continue to grow over 30% in the quarter even as card present spending improved almost 2019 levels in September.

A quick review of the recovery trend across spend categories in the US. As we did last quarter, we have three groups each accounting for about a third of our volume. The first group includes categories such as food and drug stores, home improvement and retail goods. These categories have consistently grown after above the pre-COVID growth rates in the high teens or even higher every week since mid-April. Through Q4, growth remained strong and stable.

The second group includes categories such as automotive, retail services, department and apparel stores, which drop between 10% to 50% in April and have recovered to growth by the end of June. In the fourth quarter, these categories steadily improved and are generally back to pre-COVID growth rates. The third group includes categories that are the hardest hit by this pandemic, travel, entertainment, fuel and restaurants. These categories declined over 50% in April, improved 20 to 45 points through the third quarter, and adopt at least another 10 points with steady improvement every month. Travel is still declining over 40% in September, with the largest improvement so far in car rentals and travel services. Fuel is also still negative but recovered 20 points since June, driven both by gallons purchase and higher prices. Restaurant spending is almost back to 2019 levels.

International payments volume grew 1% in the fourth quarter and 5% excluding China. A few regional highlights, SEMA remains our best performing region, growing 15% in constant dollars in the quarter, a 20 point improvement over Q3. The combination of easing COVID restrictions and client wins drove the strong growth. Europe improved 19 points over last quarter growing 9% in constant dollars, growth was strongest in the UK as well as Central and Eastern Europe. Fourth quarter growth in Europe benefited from UK cardholders utilizing their Visa credentials to move money into higher interest-bearing saving the funds. This is not expected to continue growing forward.

Latin America also improved 19 points, growing 6% in constant dollars. Brazil spend growth was positive in the quarter, fueled by a steady recovery in face-to-face spending, very high e-commerce spending and client wins. Asia-Pacific declined 10% in constant dollars in Q4 or declined 4% excluding China, and a 11 point improvement since last quarter. China continues to be impacted by the run-off of dual branded cards that have a little revenue impact. There were more COVID-related restrictions in effect across Asia and other parts of the world. Korea, New Zealand are the exceptions, where spending is already above 2019 levels.

Process transactions turned positive in the quarter, up 3% improving each month as a result of the domestic spending recovery. As you know, transaction sizes increased at the height of the pandemic, but customer behavior is starting to normalize. Process transactions growth in October through the 21st is 4% globally. Constant dollar cross-border volume excluding volume within Europe declined 41% in the fourth quarter. As I mentioned earlier, we did start to see some improvement in September and through October led by card present spending in the few corridors, where there is less friction at the border.

Cross-border volume excluding volume within Europe through October 21st declined 37%. Constant dollar cross-border volume including volume within Europe declined 29%

in the quarter. It's important to remember that cross border volume, excluding volume within Europe drives our international fees. The trajectory of the recovery, where borders are now open provide some indication of how fast the cross-border business could rebound once most borders reopen. For example, travel from the US to Mexico saw 40 point recovery from the trough in April through July, and the trend continue through the quarter. This corridor actually grew over 20% in constant dollars in September and October.

Travel to Turkey, which opened in early August, improved almost 30 points in August itself and remained at that level in September. However, at this point borders remain largely closed. The World Tourism Organization reported in September that out of 217 countries, 161 countries or 74% still had complete or partial closure of their borders to foreign visitors. Of the remaining 56 countries, the majority are mandating COVID tests with quarantine. There are very few countries with no COVID restrictions. As a result, travel related spending remains depressed declining in the mid- to high-60s in Q4 and through October. Growth in cross-border e-commerce spend excluding travel and inter Europe volume has been consistently in the mid to high teens since mid-April, led by retail spending.

Moving to fourth quarter financial results. Fiscal fourth quarter net revenues declined 17% on a nominal and constant dollar basis. Adjusted for the service fee lag, net revenues were down approximately 11%, a 10 point improvement from a similarly adjusted third quarter. This improvement was driven largely by the domestic spending recovery. Service revenues were down 13% driven by the 12% decline in nominal payments volume from the prior quarter. Data processing grew 4% with strong value-added services growth offset by the mix shifting the way from higher yielding cross-border transactions. International transaction revenues were down 38% a few points better than cross-border volumes excluding inter-Europe due to some country mix and currency volatility benefits.

Other revenues grew 5% led by value-added services but continue to be negatively impacted by declines in the usage of travel related card benefits and marketing services for clients. Overall, value-added services revenue grew 15% for the fourth quarter. Client incentives were 25% of gross revenues. This step up in the percentage was due to the revenue mix shift away from cross-border and the service fee lag, as well as the impacts of very significant renewal activity in this year. Client incentives were a little better than expected due to some deal timing and performance adjustments.

Fourth quarter non-GAAP operating expenses declined 4% as expected, primarily driven by professional fees, G&A and marketing expenses. These expense reductions were achieved while sustaining investments in our longer term growth initiatives. Non-GAAP, non-operating expense was $126 million for the fiscal fourth quarter. Interest income fell through the quarter due to lower interest rates. Interest expense was higher from the August and April debt issuance. The non-GAAP tax rate was 18.3%. GAAP EPS fell 28%, excluding special items non-GAAP EPS was $1.12, a decrease of 23%. On the fourth anniversary of the acquisition of Visa Europe, we had our first mandatory relieves assessment for the preferred B and C stock and released approximately $7.3 billion, giving preferred B and C shareholders the opportunity to sell these shares. This did not affect the fully diluted share count.

A quick summary of fiscal year 2020 results. Payments volume increased 2% in constant dollars. Processed transactions grew 2%. Cross-border volumes were down 22%, excluding volume within Europe and 16% including Europe on a constant dollar basis. For the full year, net revenues decreased 4% in constant dollars. Client incentives were 23.4% of gross revenues. Operating expenses were down 3% on a GAAP basis and up 1% on a non-GAAP basis. GAAP EPS decreased 8% while non-GAAP EPS of $5.04 was down 7% or 6% in constant dollars. The return $10.8 billion in capital to shareholders by repurchasing 44.2 million shares of Class A common stock at an average price of $183.30 or $8.1 billion and by paying dividends of $2.7 billion.

Looking ahead to fiscal year 2021, I'll start with a few general observations. Fiscal year 2020 with the year of two very distinct harms. The first quarter of fiscal year '20 had no COVID impact, net revenues grew almost 10%. Second quarter net revenues grew 6.6% with the COVID impact on our reported numbers mitigated by the quarter lag in service fees. In sharp contrast, net revenues dropped 17% in the second half. As we look ahead, it is important to remember that the first half of fiscal year '21 will lap relatively normal first half of fiscal year '20.

Another important factor to highlight is the nature of the recovery we've had so far. Helped by the accelerated shift to e-commerce and the shift to digital payments, even in face-to-face transactions, the domestic business has experienced a V-shape recovery. Process transactions have largely tracked domestic payments volume growth with some impact from the mix shift to higher tickets, which appears to be normalizing. On the other hand, borders remain largely closed, or cross-border travel has significant friction in the form of quarantines or other requirements, resulting in a very slow recovery in cross-border travel.

Also, the cross-border business comes at higher yields. This significant shift in mix is a drag on revenue growth, which will continue into fiscal year 2021 until the cross-border business recovers. Meanwhile, the pandemic is still with us. The environment remains uncertain. It is not possible to reliably forecast volume and revenue four quarters out. The significant uncertainties include the impact of spikes in COVID infections as we are seeing now, the timing reopening of borders, the easing of friction in crossing borders and its impact on cross-border travel recovery. The positive impact that improves therapeutics and a vaccine could have and all this. The timing and size of additional stimulus programs, the economic impact once various stimulus programs end.

With that as context, I'll share a few perspective on fiscal year 2021 to try and be as helpful as we can be under the circumstances. On the revenue front, given how fiscal year 2020 played out, fiscal year 2021 we'll also be a year of two very different harms. Net revenue growth is expected to decline in the first half and rebound significantly in the second, with the highest growth in the fourth quarter. The level of the decline in the first half and the size of the recovery in the second will depend on how some of the unknowns I just enumerated play out. For example, this process transactions and cross-border travel -- cross-border volume growth say at levels we have seen so far in October, through the first fiscal quarter, net revenue would be down in the high-single to low double-digit range. This includes a 1 to 1.5 point negative impact from the service fee lag.

Through fiscal year '21, we expect Visa Direct to continue its robust growth trajectory. We also expect to value-added services to continue to grow in the mid teens. There is little in new pricing in fiscal year '21 but some benefit from pricing we delayed and some carryover pricing from fiscal year '20. On client incentives, we finished the fourth quarter of fiscal year '20 at 25%. There are several factors that will impact client incentives in fiscal year '21. First mix, incentives are tied more to domestic volumes than they are to cross-border volumes. The current mix shift away from cross-border curse gross revenues and causes this ratio to increase. When the mix normalizes, this will push the ratio down again. Second performance, in fiscal year '20 with a sharp decline in volumes, many clients did not meet certain volumes thresholds. And as such, did not earn corresponding incentives. As volume recovers in fiscal year '21, we expect clients will take special and on these incentives, which causes a year-over-year increase unique to the year over recovery.

Finally, the impact of renewals, as we have told you fiscal year '20 was another big year for client renewals. We renewed 25% of our volume during the year with another 15% to 20% likely renewed in fiscal year '21. Factoring all this in, we currently estimate that fiscal year '21 incentives as a percent of gross revenue could be in the 25.5% to 26.5% range. As always we've given you our best sense of the range at this point and will update you through the year as we learn more. First quarter incentives are likely to be at the lower end of the range.

Moving to operating expenses, in fiscal year '20, we demonstrated our ability to modulate expenses and investments as circumstances change, balancing short term imperatives with long-term priorities. Non-GAAP operating expenses grew 8% in the first half and declined 5% in the second. As Al indicated, we remain very bullish about the growth potential of our business and we'll invest accordingly.

Visa Direct continues its robust growth, B2B Connect is ram ping, our value-added services growth is sustaining at mid-teens levels and our recent acquisitions required investments to scale. We will step up investment in all these areas and a few others such as the Tokyo Olympics. As a result, we plan to increase our level of investment through the year modulating as we learn more about the trajectory of the recovery.

Our current plan is for expenses to be down in the first quarter, in line with second half fiscal year '20 trends. Expenses are expected to grow in the mid-single digits in the second quarter as we begin to lap the expense pullbacks from the last fiscal year. At this point, we plan on double-digit expense growth in the second half, in part due to the Olympics. However, we will adjust our plans as needed and update you as the year progresses. We expect non-operating expense to average $145 million to $150 million each quarter in fiscal year '21 for two primary reasons. First, low and even negative interest rates on our cash balances, and two, our $4 billion in additional debt after we pay off our December bond maturities.

Our fiscal year '21 tax rate is expected to be in the 19% to 19.5% range. It is too early to predict what impact the US elections will have on our taxes. As always, we will provide updates if any to our tax rate expectations as the year progresses. Capital spending in fiscal year '21 is likely to be around $700 million. We expect to return most of our free cash flow back to shareholders in the form of dividends and buybacks. Our Board of Directors has authorized an increase of our quarterly dividend to $0.32, starting in the first quarter of fiscal year '21. Then the flat transaction closes, we will let you know what is impact on FY '21 will be.

In summary, as we've done in fiscal year 2020, we will stay flexible and agile as we work through the pandemic. As you heard from Al, the opportunity ahead is lost. The shift to e-commerce and away from cash is accelerating. Use cases for new payment flows are proliferating and ramping. Our value-added services business continues to grow at a healthy clip. We remain as optimistic about our future, as we were at our Investor Day in February, which now seems like a lifetime ago. Our strategy remains unchanged and in fiscal year '21, we will continue to prioritize and invest in our key growth initiatives.

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

Mike Milotich {BIO 20581476 <GO>}

Thank you, Vasant. We will run a little long in order to ensure we have enough time for questions. So with that, we're ready to get started, Jordan.

Questions And Answers

Operator

(Operator Instructions) Our first question comes from Dan Dolev from Mizuho. Your line is open.

Q - Dan Dolev {BIO 16010277 <GO>}

Hey, guys. Thank you for taking my question. YellowPepper, can you give us some more color (inaudible) you mentioned money with email or anything like that that you could highlight in terms of the advantages of YellowPepper? Thank you.

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

Dan, it's Al Kelly, how are you? This is a company that we're quite familiar with, we invest -- we were an early investor with them, we've been working with them, what they really are -- they'll allow various players throughout, at least in the foreseeable future through Latin America being able to facilitate getting any kinds of -- various kinds of services up and going very quickly by connecting to YellowPepper. And then YellowPepper taking over from from there. And we think as the payments of money movement world continues to grow and diversify, having a software platform like YellowPepper that makes it easier for these connections to happen and gives us an on-ramp to sell value-added services and accommodate the needs of various clients to have network agnostic solutions that it's going to give us a good path towards accelerating both core payments as well as value-added services and new flows throughout Latin America. And then over time, we will look to extend the capability beyond that region.

Q - Dan Dolev {BIO 16010277 <GO>}

Great, thank you for results.

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

Thank you.

Operator

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

Q - Bob Napoli {BIO 1526298 <GO>}

Good afternoon, and thank you for the question. Just on the value-added services, I was hoping to get a little more color on kind of the mix of the revenue that could kind of break it out by -- whatever reasonable products you could have done and if which of those products are growing the fastest obviously with Visa Direct?

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

Well, Bob, thank you for the question. So first of all, we think of Visa Direct is a new flow not evaluated.

Q - Bob Napoli {BIO 1526298 <GO>}

Okay. Sure.

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

Okay. So let me try to get a little more color. So about 2/3 of value-added services are platform type of services that are driven by transactions. And obviously, this environment some of those have done quite well. CyberSource, where people are looking for omni-channel solutions, risk and fraud services, particularly as lot more transactions have gone online and people looking at things like 3-D Secure at 2.0 and our offering from CardinalCommerce and then issuer processing has done well given that what's happening with debit, as Vasant described in his remarks. About other the 1/3 -- so that's about 2/3 of value-added services, the other 1/3 is kind of split between service revenue and other revenue. So in service revenue, you have card benefits, which are offered as a package. And then in other revenue you have services that are generally not tied to volumes, things like travel-related card benefits, marketing services, data and consulting and analytics. So you can imagine in that grouping, there are things that are struggling a little bit and other things that are accelerating. So travel-related card benefits are obviously very sluggish as our marketing services, but things like data and consulting and analytics are continuing to grow at a pretty robust levels. So that would be hopefully give you some color. I don't know, Vasant whether you want to add anything to that.

A - Vasant Prabhu {BIO 1958035 <GO>}

No. I think we're very pleased with how as Al said the platform-based services are growing those happen to be the ones that have the best margins and it's things like our fraud services, authentication, through CardinalCommerce as well as, as Al said

CyberSource, clearly the growth of omni-commerce and certainly everybody -- every merchant wanting to enhance the e-commerce business is very helpful to CyberSource, which as you know is a gateway for most e-commerce merchants. And then the debit is doing well, the debit processing business. So those platform-services most of it show up in our data processing line from a revenue standpoint, particularly high growth right now.

Q - Bob Napoli {BIO 1526298 <GO>}

Thanks. Thanks, Al.

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

Thanks, Bob.

Operator

Our next question comes from Bryan Keane from Deutsche Bank. Your line is open.

Q - Bryan Keane {BIO 1889860 <GO>}

Hi guys, I just want to ask you about the strength in debit, obviously, even without stimulus the growth continues to be impressive well above 20%, especially in the US and then obviously picking up internationally. How much of that is driven by this move towards contact with an e-comm and as we get into next year, does it cause a difficult comp, just because of the growth rate is so much higher than traditional or does this growth continue at these rates and maybe somewhat offset by a pickup in credit by the time we get to the second half of next year? Thanks.

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

Thanks, Bryan. I'd say, there is a number of drivers that what's happening with debit, certainly, I think an acceleration of cash displacement at the point of sale, where people are just concerned about cash being a carrier of germs, I see that, I think that trend continues. Certainly, a significant shift online purchases and mostly in everyday spend categories which kind of favors debit a bit. I think that's going to stay up a fairly healthy level. Thirdly, what we've learned in the past and it's being reinforced now is that in these uncertain economic times, people probably would prefer to spend the money they have been than they borrow the money and hence that's a positive driver for debit. And then Visa Direct, obviously, helps drive our debit performance as well.

I expect that a lot of this positive momentum will continue, but I think there's no question that, if and let's hope it does, the world gets back to normal quicker than many would might predict, that a, you will see credit come back as -- is more discretionary purchases and travel start to bounce back. And maybe some purchases start to move that are online maybe move back into the face-to-face world. But I think a lot of people have gotten very comfortable sitting out there, dining room table or in their home office, shopping on online on e-commerce. So I think a lot of these drivers of what we're seeing in debit over the last six months have some staying power to them.

A - Vasant Prabhu {BIO 1958035 <GO>}

Yeah, I mean, I add a couple of things. And you can see it in some of the charts, we provided on the weekly trends. I think what's happening about debit, which as I said in my comments is the biggest beneficiary of the accelerated growth of e-commerce in the shift away from cash. The two things, we are seeing is that even this credit has recovered from declining 20% in April to exiting September down only about 5% I believe if I remember right, in the major markets. You see the credit line, the debit line has been very steady. It's been growing at the same rate without really being impacted by the recovery of credit and even as card present trends have improved. you're seeing the debit line hold steady. So a lot of it has to be driven by the new cases, we are enabling a new payment flows through Visa Direct, as Al said. And also the fact that, there has been a true shift away from cash and most of it has gone to debit. Now clearly some of it is the stimulus payments and if you don't have them next year clearly some of that spending -- may have been spending that may not sustained but that remains to be seen.

Q - Bryan Keane {BIO 1889860 <GO>}

Got it. Helpful. Thanks.

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

Thanks, Bryan.

Operator

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

Q - Sanjay Sakhrani {BIO 7390132 <GO>}

Thanks. I wanted to sort of follow-up on exactly what you were talking about, Vasant, obviously there is a recovery underway, but to the extent that stimulus isn't renewed and I know that means may or may not happen. And then you have -- you're going into the winter months where it may be more difficult to travel or as such. Do you feel like that's a risk to the growth trajectory of the volumes and then just a clarification on the incentive guidance, the volume and support guidance. And does that include the numbers you gave an impact from the lag of the volumes that come back versus what you're paying out? Thanks.

A - Vasant Prabhu {BIO 1958035 <GO>}

I'm not sure fully understood your second question. But I will try to answer it. On the first one, as we said, we live in uncertain times and it's difficult to hazard guesses on what's going to happen when if there are spikes in infections. I would say, we are tracking it very closely, and there really two things to track, its spikes in infections and then what is the response from the government? To the extent that the response from the government is to impose restrictions and shutdown, then it does have effects on spending. If the response of the government is to largely keep things open then we see less of an impact. So it will be very different region by region and country by country, both linked to the infection rate as well as the governmental response. As it relates to travel, travel habits are changing, as you saw, I mean people can't go everywhere. So corridors that are open are getting more of the travel, which is why you saw the Caribbean and Mexico are actually growing in September and October. And normally September and October, after schools open tends to be a slowdown in travel in fact we are seeing travel continue, personnel travel continue into September and October in the corridors that are open. So what you may see in terms of travel is, people really being quite astute about where they can travel and as certain corridors open up, you start to see travel moving into those corridor that may have gone elsewhere. So it all makes it very difficult to make any hard predictions about what's going to happen next.

As far as your incentives question, I wasn't sure what the question was, exactly, but we've tried to factor in everything we know right now, mix shift from cross-border, service fee lag, the renewals we already had and what we might expect to give you the best range we can. We will obviously give you an update as the year goes by.

Q - Sanjay Sakhrani {BIO 7390132 <GO>}

Thank you.

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

Thanks. Sanjay.

Operator

Our next question comes from Ramsey El-Assal from Barclays. Your line is open.

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

Hi guys, and thanks for taking my question. You called out a lot of new partnerships and agreements this quarter, Al, in your prepared remarks and I'm just wondering in the context of the pandemic, have the way you structured the agreement changed at all or incentive levels, less performance-based or is there any kind of changes that might have an impact on the way incentives just kind of come in down the road in terms of how you're negotiating right now?

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

We will ramp -- as a general, I'd say there really hasn't been a lot of change. I think that they've generally been fairly similar. I think that for the most part, I think most -- as you know, most of these deals are five, seven, sub-type longer years in duration and I think almost everybody thinks that we're looking at a kind of a once in a century-type of event here. The conversation, Sanjay, Vasant was just having we're not sure how long that really last, but we're certainly not looking for it to last through the duration of what these contracts are? I think that said, we're certainly thinking about the structure of deals and trying to determine where to tweak things here and there, but I wouldn't say that we've made any kind of radical changes to how we're restructuring the deals ramping.

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

Okay, that helps, thanks so much.

Operator

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

Q - Lisa Ellis {BIO 18884048 <GO>}

Good afternoon, guys, and thanks for taking my question. My question is about Europe, this 9.1% growth in Europe this quarter that is a very strong number stronger than it had been pre-pandemic. Can you talk a little bit about what's going on in Europe, are you starting to see the pay-off of the long-term effort there to invigorate that business after the Visa Europe trend transaction. I mean, are you seeing just really elevated cash displacement. What are some of the underlying dynamics in Europe? Thank you.

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

Lisa, I'd got say a few things. First of all, this movement of funds into these higher yielding savings accounts, definitely it was a real factor and that's not going to repeat itself, but not beyond that I think that you are seeing -- be seen the beginnings of traction of a number of FinTech deals, I mentioned Revolut in my remarks, but Lydia and France comes to mind in and out, the FinTech in Turkey comes to mind that are really starting to scale up in terms of their relationship with Visa. I also think that we've had a pretty good track record of deepening some of our existing businesses and that we renewed as well, I commented on a few of those but if we go back over the past numbers of earnings calls commented on others.

And I have made the point that, I think that I believe over the last five or six quarters that Europe has made a lot of progress in terms of relationship build they just going to take time to show up in the numbers, because they're either doing a start-up or you're doing a shift-in with the client and both of those just simply take time and they take time to ramp to get credentials out and then they take time to those credentials to ramp in terms of volume. The other thing, I would say is that open banking continues to be a strength for us in Europe, and we're having good success selling our value-added services, particularly, I commented in, Dan's or somebody else's question earlier, some of our products from CardinalCommerce as well as our 3D Secure products. So I think the beginnings of some of the success that we think we've been having over the last five or six quarters, plus this kind of one-time deal where people move money via their debit cards into these high yield savings accounts, and we'll see what happens, Lisa. Today, you probably saw our both France and Germany announced going into some form of partial lock-downs, again. So that's obviously not very positive news B2B driving volume across the continent.

Q - Lisa Ellis {BIO 18884048 <GO>}

Thank you.

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

Thanks, Lisa.

Operator

Our next question comes from Dan Perlin from RBC Capital Markets. Your line is open.

Q - Dan Perlin {BIO 1758057 <GO>}

Thanks, and good evening. I just wanted to follow backup again around the notion of cross-border volume is going to ex inter-Europe is probably going to drag on for a bit. And so what I'm trying to understand, are going to reconcile a little bit here is the specific opportunities that you might be pursuing, maybe more behind the scenes in order to offset some loss revenue and lost profits. So rather than kind of a very large drop list of products and opportunities. I'm thinking of things like increased authorization rates now that you have a lot more e-commerce cross-border that's happening and that's opening up the funnel for merchants. Are you able to offset some of those lost profit dollars as a result of those types of things? And then how prominently is CyberSource playing in that regard. Thanks

A - Vasant Prabhu {BIO 1958035 <GO>}

Yeah, I mean, we are clearly focused on all that, increasing authorization rates in particular corridors big priority, increasing activation of cards that can be used for cross-border critical priority. The growth of non-travel cross-border business big priority, cross-border business for new use cases that Al highlighted through Visa Direct like remittances, cross-border business with B2B Connect, all those are revenue streams that are new and very exciting and growing well, it's a big year in '21 to lay the groundwork for YellowPepper to scale. We have signed up a lot of clients. The volume is ramping, we're spending quite a bit of time and effort to ensure that the YellowPepper platform can scale and a lot of that will be cross-border flows not necessarily for consumer payments for but a whole range of other use cases. So there is a variety of non-specifically travel related cross-border use cases that are happening right now that we are very excited about and then we're doing as you said, the sort of the bread and butter stuff of improving authorization rates reducing fraud and all the things that would make people more willing to approve more cross-border transactions.

Q - Dan Perlin {BIO 1758057 <GO>}

Excellent. Thank you.

Operator

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

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

Hey, thanks so much. Al, I was thinking about your answer to Lisa's question and I'm curious if you can shift into another gear and win more business in Europe with open banking and the digital shift there, I guess, how could you expand that to other regions as well. But I'm thinking about Europe, given the open banking dynamics?

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

I, certainly, hope so Tisen-Tsin. We are very, very focused on it. I think we've talked about in the past. I mean, we really feel like we've been in the last year, 15 months really on our fund footing in Europe. We've got a really good win rate on FinTech's. We're having lots of really good discussions with banks about open banking in addition to the things I mentioned, we've got our Visa trusted listing, which allows customers to identify merchants that they trust, which will help users meet regulatory requirement and have a much better user experience for the customer. We've got the Visa delegated authentication which issuers' delegate authentication to merchant or digital wallets, which also reduces friction at the point of check out. So a lot of these discussions have gone very well and I think that people, who are clients, and potential clients are viewing us as being very supportive of what they have to do to deal with open banking downstream. So I believe that our momentum is good and you're going to continue to see it in our numbers.

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

Just a quick follow-up if you don't mind. And then some of the wins, you guys have had like Venmo and you talked about Revolut, pretty innovative including in the reward side of things like Venmo. I'm curious, if you'd also that you could see a little bit more of is this become available thinking about travel cards and some of the more traditional travel rewards might have less utility here during the pandemic, are you seeing that. Is that an area of focus perhaps?

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

Well, I think, issuers around the world are dialing back on their spending and their acquisition on travel related card at this point in looking at all alternatives. And even here in the United States obviously, I think you've seen a lot more activity on things like cash back than you are on travel co-brand. So I think in the near term that's going to be the case. I think though as travel returns, which I happen to be optimistic that it well, beside basically describe how I see it, which is that travel is for all intensive purposes, it shut for consumers. It's not that you are even having a choice of to travel or not to travel in most cases. It's so much of a hassle that right now that you just don't. It is not a good experience. And I think as travel can reopen. I think that people wanting to see the world and see family and friends and knock places off their bucket lists et cetra, it will start to come back and at that time, I think people will go back to promoting the travel elements of their card or the benefits of the card, as well as you'll see more attention paid back on the travel-related co-brand cards.

A - Vasant Prabhu {BIO 1958035 <GO>}

A couple of focus on it, let's say, bright spots from some of the early indication there is, as you know, the bulk of the cross-border business we have that's card present and the bulk of our cross-border travel is based on personal travel and that's an important one to note and that clearly seems evidence of pent-up demand because anytime a corridor opens up we shared the example of Turkey, there is a maximum pickup, there are more Americans traveling to Turkey now than they did last year by a significant amount, because they realize that's one place they can go. We've seen that from other parts of the world that are open like travel in and out of Dubai. So we're seeing a lot of travel from

Europe into the UAE for example. So what we're seeing is there is pent-up demand the corridors, which are very few right now that are open are getting a lot of it and as corridor start to open you will see different travel pattern when you pre-COVID but I just seem to be a lot of desire to travel.

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

Yeah, I agreed. Makes sense. Thank you.

Operator

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

Q - Jason Kupferberg {BIO 6867809 <GO>}

Hey, good afternoon guys. I know back at the Analyst Day, which I agree with you, Vasant, it feels a very long time ago. It's been a lot of time on B2B and I wanted to see now that we're six plus months into the pandemic, I mean, is COVID catalyzing accelerated growth in B2B for Visa. And if so, are there some supporting data points you might be able to share on that front?

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

So I'll start, Jason and Vasant can add. I would say that commercial B2B volume in the carded space is running pretty close to where you see consumer credit. So it's definitely has been hit and as the line -- its growth has been, as I said fairly close to the credit line that said we've continued to invest heavily and trying to promote virtual cards is more digital spending is going to take place in the B2B arena and we're continuing to build out and invest in building out the B2B Connect network were up and have the capability up and going in 80 countries, we're looking to expand for the next 30 countries over the next year plus. And so we haven't really taken our investment dollars on building for the future, down much at all in this area, but there's no question, the volume has been impacted by lots of people curtailing their spending and lots of employees around the world working from home.

A - Vasant Prabhu {BIO 1958035 <GO>}

Yeah, I mean just a little more color on the B2B side and the -- as Al said in the card-based part of the business, we're seeing the small business side recover nicely. The large and medium-size side is the one that is still somewhat sluggish. We don't have a big travel related component in our card-based B2B business. On B2B Connect, we continue to build a nodes, lot of interest and we have some big new clients that will be ramping and hopefully, we can tell you more about that in the next few quarters. And then in the very large AR/AP business, there continues to be interest. We are very focused on trying to figure out the use cases that have traction and how we create value, but I wouldn't say that there is any dramatic shift, it remains the category of people are trying to figure out a way to create value there. So we'll again tell you more as things develop.

Q - Jason Kupferberg {BIO 6867809 <GO>}

Okay, thank you.

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

We will take one last question.

Operator

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

Q - Darrin Peller {BIO 16385359 <GO>}

Hey guys, thanks. We've seen obviously this uplift in the CMP transactions both online and even offline similar with contactless and I think we've been saying and I think you guys have said also there is -- your technology can handle more of that market share than other local or PIN networks, given your investments. I guess first of all, can you just make sure -- just verify that's true in your opinion. And then second of all, what kind of economic uplift is there from things like the CyberSource and fraud solutions you provide there. And then, Vasant, just a quick follow-up on the incentives comment you made about '21. You mentioned incentives I think 26% or so in fiscal '21, is that assume that cross-border does not -- doesn't improve it all in fiscal '21? Are just stays basically October levels to get to that number. Thanks guys.

A - Vasant Prabhu {BIO 1958035 <GO>}

I mean what happens. I'll take the second part first. What happens to cross-border is anybody's guess, right. So we gave you a range of 25.5% to 26.5%. We have seen, let's say, a 6 point improvement from Q3 to Q4, from Q4, 41% down to where it's running in October is a 4 point improvement. So we've assumed some modest improvements through the year. So it's not saying that there is no improvement implied in there is some modest improvement. I think that's probably the best way to think about it, but it is a range, it's hard to estimate, we've giving you the best range. We will tell you more as the year goes by. And then your first question, and I'll now let Al take that.

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

So, I wasn't -- in case of card-not-present, it's very, very good volume for us. As we -- I think at Investor Day, we said that $0.15 in every dollar in the world. Today is, in face-to-face, it's spent on Visa Card in the card-not-present world. It's $0.43 on the dollar, simply because cash comes out of the picture. And obviously, as fraud has migrated more to online, as chip on card has depressed fraud in the face-to- face world that gives us an opportunity to work with issuers on driving down fraud by using various services and products that we can -- we could provide and somebody alluded to it earlier, I mean it is still in the card-not-present world, still real opportunity to drive up authorization rates. I think it was, it was a question out relative to cross-border. And clearly, cross-border authorization rates and card-not-present are lower than authorization rates, domestically on card-not-present.

But in both cases versus face-to-face, there is real opportunity to increase authorization levels to drive more volume. Darrin, you said something about contactless too, obviously that's in the face-to-face world and we continue to make, and we'll continue to make real progress there. I think COVID will help accelerate the pace in the United States which is the one market that has been much further behind, I think I said in my remarks that contactless transactions represents 43% of face-to-face and across the globe, 65% excluding the United States which gives you the magnitude of how far behind the US is. I do think though that and maybe you meant Click-to-Pay, I do think Click-to-Pay will help as well, accelerate card-not-present as well, particularly for people who are -- not card on file, but they are just logging on to buy for the first time and they're doing, they are being a guest. So I think that there is real opportunity for Click-to-Pay to help build a better user experience there. So we certainly remain really bullish and what can happen in the card-not-present world.

Q - Darrin Peller {BIO 16385359 <GO>}

All right, thank you, guys.

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

Thanks, Darrin.

A - Mike Milotich {BIO 20581476 <GO>}

I 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 evening.

Operator

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