Q4 2020 Earnings Call

Company Participants

- Michael Miebach, Chief Executive Officer
- Sachin Mehra, Chief Financial Officer
- Warren Kneeshaw, Executive Vice President, Investor Relations

Other Participants

- Dan Dolev, Analyst
- Darrin Peller, Analyst
- Donald Fandetti, Analyst
- Jason Kupferberg, Analyst
- Lisa Ellis, Analyst
- Ramsey El-Assal, Analyst
- Tien-Tsin Huang, Analyst
- Timothy Chiodo, Analyst

Presentation

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Mastercard Q4 and full year 2020 earnings conference call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. (Operator Instructions). As a reminder, this call is being recorded. (Operator Instructions).

I would now like to hand the conference over to your speaker today, Warren Kneeshaw, Head of Investor Relations. Thank you. Please go ahead, sir.

Warren Kneeshaw {BIO 16549173 <GO>}

Thank you, Tanya. Good morning everyone and thank you for joining us for our fourth quarter 2020 earnings call. We hope you are all safe and sound. With me today are Michael Miebach, our Chief Executive Officer, and Sachin Mehra, Chief Financial Officer. Following comments from Michael and Sachin, the operator will announce your opportunity to get into the queue for the Q&A session. It is only then that the queue will open for questions.

You can access our earnings release, supplemental performance data and the slide deck that accompany this call in the Investor Relations section of our website mastercard.com. Additionally, the release was furnished with the SEC earlier this morning. Our comments today regarding our financial results will be on a non-GAAP currency-neutral basis unless otherwise noted.

Both the release and the slide deck include reconciliations of non-GAAP measures to GAAP reported amounts. Finally, as set forth in more detail in our earnings release, I would like to remind everyone that today's call will include forward-looking statements regarding Mastercard's future performance. Actual performance could differ materially from these forward-looking statements.

Information about the factors that could affect future performance are summarized at the end of our earnings release and in our recent SEC filings. A replay of this call will be posted on our website for 30 days.

With that, I will turn the call over to our Chief Executive Officer, Michael Miebach.

Michael Miebach {BIO 16087573 <GO>}

Thank you, Warren, and good morning from New York. It certainly feels like a privilege to be addressing you today for the first time as Mastercard CEO. I believe the foundation established under Ajay's leadership positions us extremely well for the future and I'm looking forward to leading Mastercard from here on, and of course counting on your continued support.

Now 2020 presented the world and the economy with unprecedented challenges, still the resilience of our business model and the focused execution of our strategy by our dedicated employees, allowed us to close out the year on a positive trajectory. Fourth quarter revenue and EPS growth rates versus a year ago are continuing to show sequential improvement. As we look to the future, we will continue to execute on our strategy, with our ability to enable and secure the payment ecosystem through the partnerships, our differentiated services and our role as a true multi-rail provider, we are well-positioned to capture additional flows and the significant opportunities ahead. These opportunities include certainly the accelerated secular shift to digital payments and the advancement of real-time payments and open banking.

Now let's take a look at our business from the macro-level. Retail spending during the holiday season and fourth quarter overall was relatively steady with very strong e-commerce sales. According to our SpendingPulse estimates for Q4, US retail sales were up 4% ex-auto, ex-gas, while overall Europe retail sales slowed with a decline of 1.9% for the quarter, in part due to the recent lockdown. In Asia, we see some bright spots in markets like Australia and then similarly in Latin America, the retail sales in Brazil rebounded this quarter. And we're also heartened the availability of effective COVID vaccines, but distributing them at scale will dictate when social distancing measures can be relaxed and borders opened, and that will ultimately drive further recovery. We see fiscal stimulus such as the most recent package in the United States as an important interim measure in the near-term and we're working closely with governments to get funds into peoples hand quickly and safely.

Now turning to our business specifically, and the four phased framework we established monitoring the COVID environment, the markets go through the containment and stabilization phases, and we continue to believe most markets are now in the normalization phase domestically were spending levels gradually improved with some markets actually approaching growth. Looking at the trends, volumes continue to modestly improve quarter-over-quarter and our switched volume growth rates excluding travel and digital [ph] payment was similar to what we saw in Q4 2019 pre-pandemic.

Speaking of travel, domestic travel including spending in categories such as lodging and restaurants declined slightly in the quarter, reversing some of the improvement we saw in the summer months. Cross-border travel remains limited. In October and November, we saw some improvement in cross-border within the EU, although recent restrictions are causing some slowing over there as mentioned earlier.

Improvement in the cross-border travel outside the EU remains limited. We continue to believe travel will improve starting with personal travel as border restrictions ease and as vaccination efforts expand. We believe corporate travel will follow. As we said in the past, progress may not be linear, but we believe there is significant pent up demand for travel, and we continue to expect to see improvements in the second half of the year. In the meantime, we remain focused on building our already strong position in travel positioning us well to capitalize on this opportunity when it occurs.

So, while the pandemic is affecting business drivers in the short-term, we have diversified our revenue streams and remain focused on managing our business for the long-term, this means focusing on our strategic priorities; one growing our share of core payment, ensuring the digital experience for our customers, partners and consumers are safe and seamless as we help drive the accelerated secular shift. Two, deploying meaningful services that help our partners adapt to the changing environment, and last but not least, providing choice with our multi-rail capabilities.

Illustrating all of that, we have quite a number of significant strategic wins this quarter, which I will now share with you. Starting in the UK and Ireland and building off the success we've had in debit with Santander and First Direct, we're really pleased to expand the long-term relationship we have with NatWest Group on credit. The bank will move its entire debit portfolio to Mastercards across all consumer and business product lines and across multiple brands, including NatWest and Royal Bank of Scotland. This migration of approximately 16 million debit cards will start later this year and when complete will contribute to the growing overall debit share in the UK from low-single digits to approximately a third of the market once all recent wins have migrated to Mastercard. We look forward to innovating together to build enhanced digital experience for NatWest customers across multiple payment rails.

Now turning to Germany, we expanded our relationship with Deutsche Bank and will become the exclusive international scheme [ph] partner, including both Deutsche and (inaudible) brands, expanding our market share in debit and credit. Start of the upcoming migration, a total of 10 million consumer and commercial credit and debit cards will be reissued as Mastercard branded products. Deutsche Bank is already leveraging our services within our existing partnerships, we will now extend those to the larger customer base and use our advisors consulting and analytics to assist with the conversion and we look forward to developing new opportunities together in B2B and other payment flows [ph].

In US, we will be the network partner for the Citi Plex Account on Google Pay which leverages our tokenization services to provide Citi Plex customers with a seamless and more secure payment experience. The Citi Plex Account will include a digital debit Mastercard that's automatically loaded for use in the Google Pay wallet with an option to request a physical contactless card providing customers the choice to pay when, where and how they want to pay by debit cards, smart phone or online.

Building on our fintech momentum, we have secured additional wins around the globe with new partners like Payoneer and (inaudible) in the US, (inaudible) in Italy, Tresor [ph] in France and Prex [ph] in Peru. Our fintech customers appreciate our tailored approach addressing their very specific needs, leveraging our expertise, our tech and of course our global network. Now we are also excited to announce a new strategic partnership with Walgreens. This multifaceted relationship includes a new credit product to be issued by Synchrony Bank and prepaid product that enables contactless shopping experiences, (inaudible) first money management and rewards by the Walgreens app. This partnership will enable Walgreens to leverage (inaudible) of Mastercard services including insights and analytics, loyalty and point-of-sale financing including installments. You will also look into future opportunities together, including a digital first debit card and other tech driven solutions to innovate the future of healthcare payments.

Now, we remain very active in the US co-brand space where we extended and expanded our seven [ph] top co-brands with enhanced rewards and digital experiences as announced yesterday and extended Wal-Mart consumer credit in co-brands and payroll cards, renewed our GM co-brand now with Goldman Sachs (inaudible) and expanded our relationship with Bass Pro shops (inaudible) to include small business.

Let us come back to travel. We continue to prepare for the broader return of travel with several new partnerships in this space. First of building on the travel co-brand momentum we announced last quarter, we will now be the exclusive network for [ph] our plan co-brand program in the US with JPMorgan Chase Bank and Air Canada, which we will launch later this year. In both the UK and Spain, we're innovating with IAG Loyalty, part of the International Airlines Group, on new co-brand and loyalty partnership that will provide customers more choices to earn Avios points and reward them with exclusive benefits, and on a wholesale travel program fund one of the largest global online travel agencies Booking.com has chosen Mastercard to be their preferred partner for virtual card payments to their suppliers.

Let us talk about the changing consumer. As spending patterns change, it is critical to offer online and in person capabilities and we have solutions for both. As e-commerce accelerates with card-not-present transaction accounting for about 45% of our switched volume in 2020, which is up from 40% in 2019, we have several efforts underway to enable safer and more seamless online purchases.

Notably, we continue to scale our merchant tokenization services for card on file, a critical use case with a six-fold increase in the number of unique merchants transacting in quarter four versus a year ago. Our recent survey did tell us that seven in 10 e-commerce consumers have payment card information saved with at least one merchant site. (inaudible) tokenization is particularly helpful for subscription services like Netflix, marketplaces like (inaudible) and ride-hailing service like (inaudible) we have just signed on this quarter and we do believe that when restrictions ease, people will return to shopping in person and hence we're driving secular shifts in store as well.

For example, we saw strong acceleration of contactless in 2020 as more than 80 [ph] markets grew contactless penetration as a percentage of in-person transactions by at least 10% which is driven by consumer demand for increased speed and safety, but of course cleanliness at the point of checkout. This paved the way for new solutions that leverage contactless, such as our recently launched Cloud Tap on Phone, which will allow merchants of any size to quickly and easily accept contactless payments on a range of devices, including mobile phones, further expanding our acceptance reach. This will be particularly important for all those hard hit small businesses trying to operate more digitally coming out of the pandemic.

Now with respect to services, services continue to be in strong demand as we help our customers adapt and succeed in this evolving omnichannel environment we just talked about. In aggregate, our services line represents about a third of our revenues in 2020 and grew with 18% during that period on a currency neutral basis, providing a critical source of growth and diversification. We will continue to invest in these capabilities across all payment flows to keep the ecosystem secure and to provide key insights to our customers, including publishing monthly trends, leveraging assets such as spending costs [ph]. Our recent acquisitions in the services space, provide a key source of differentiation, are continuing to gain scale. For instance, Bank of America recently expanded its use of (inaudible) dispute management tools. Fintechs in the US and abroad, including American e-commerce company (inaudible) are using the behavioral biometric technology of new data [ph] to enhance the authentication process, signing new customers for RiskRecon [ph] and (inaudible) across their system and brands like Chico's are leveraging our end-to-end loyalty platform (inaudible).

So let's turn our focus on the initiatives that are designed to address the products that have payment flows with our multi-rail capabilities. They offer the choice and flexibility that consumers, businesses and governments need and increasingly expect. First, we are pleased to report that we closed the acquisition of Finicity in November extending our network to provide data transmission capabilities essentially to fully capitalize on the future of open banking. Finicity continues its leadership in signing direct data access agreements with financial institutions and fintech [ph] building off existing direct relationships with major banks like Chase, Citi, Bank of America, Capital One, and Wells Fargo. We recently added Chime, (inaudible), Charles Schwab, and TD Bank, and we're moving quickly to secure more direct access relationships. Finicity continues to build our digital assets and credit decisioning solutions including those launched with (inaudible) mortgage companies and seeing a rapid adoption of its lending and payment solutions. In parallel, we continue to expand our open banking capabilities in Europe and intend to leverage Finicity there as well.

In the real-time space, we are excited that Payments Canada has selected Mastercard to build and run its new real-time payment systems clearing settlement infrastructure. Our technology and expertise will power a best-in-class real-time payments infrastructure that provides a platform for innovation to enhance Canada's economy. With this win we're now providing real-time payments infrastructure for 12 of the top 50 GDP countries extending our global footprint. Relating to these new infrastructure wins, we continue to build out application that leverage real-time payment rails like with Mastercard Track Business Payment Service, which is now live with real-time payments and (inaudible) in the US alongside our card functionality.

We've also extended tracks card payment capabilities worldwide and now continuing to build out our network with a number of bank and non-bank partners that considerably extend our reach in both the buyer and suppliers side. This year, we plan to continue expanding the platform into new geographies and add our cross-border payment capabilities. We're also delivering on our multi-rail promise with Mastercard Send which continues to grow across the globe. For example, we expanded our reseller network by deepening our long-standing relationship with Citi to enable them to offer business to consumer disbursements in the US. This is one of several new partnerships leveraging Mastercard Send to enable B2C and person to person money transfers domestically and internationally. We also partnered with TransferGo enabling customers across 20 European countries to make international money transfers from any card or bank account directly to a Mastercard debit or credit cards.

Now let's take a look into the future. As you have sure heard, there is a lot going on in the digital currency space with many governments around the world evaluating central bank digital currencies. When a country chooses to issue its own CBDC like the (inaudible) in countries like Sweden or China or instead provides a regulatory framework for private stable coins [ph] or otherwise pursues both public and private options in parallel, we are engaged with central bank from a policy and a solution perspective. We have continued to invest in this space to be ready to coin [ph] base with governments, banks and fintech partners. For example, the virtual test platform that we launched a short time ago has been received well and our cryptocard programs including Wirex in the UK and Uphold in the US, enables consumers to spend their crypto balances within our expectant network. This year we plan on adding digital currency (inaudible) directly on our network, enabling our partners to take advantage of our acceptance reach and settlement capabilities. This will give choice and flexibility for consumers and merchants for what currency they want to use or receive. Our level of support will vary based on regulations in a given market. We will continue to be guided by published principles on security, compliance and consumer protection and the value to our stakeholders in determining our involvement in a specific initiative. There is certainly a lot going on and significant opportunity ahead.

With that, let me turn the call over to Sachin.

Sachin Mehra {BIO 15311008 <GO>}

Thanks, Michael. Turning to Page 3, which shows our financial performance for the quarter on a currency neutral basis and excluding special items related to certain litigation and tax matters and the impact of gains and losses on the company's equity investments. Net revenue was down 7% reflecting the impact of the pandemic and includes a 1 ppt benefit from acquisitions. Operating expenses were flat year-over-year or down 3% if you exclude the 3 ppt impact of acquisitions. Operating income was down 12% and net income was down 17%, both of which include a 2 ppt decrease related to acquisitions. EPS was down 16% year-over-year to $1.64, which includes $0.04 of dilution related to our recent acquisitions, partially offset by a $0.03 contribution from share purchases. During the quarter, we repurchased about $1 billion worth of stock and an additional $356 million through January 26, 2021.

Let's turn to Page 4, where you can see the operational metrics for the fourth quarter. Worldwide gross dollar volume or GDV increased by 1% year-over-year on a local currency basis reflecting the effects of the pandemic. US GDV increased by 4% with debit growth of 15%, partially offset by a credit decline of 7%. Outside of the US, volumes were flat. Cross-border volume was down 29% globally for the quarter, similar to last quarter, Intra-Europe volumes were less impacted than other cross-border volumes. Specifically, Intra-Europe volume was down 15% for the quarter, whereas other cross-border volume was down 41%.

Turning to Page 5, switched transactions grew 4% in the fourth quarter globally. We saw positive growth in switched transactions across most regions aided in part by the continued [ph] adoption of contactless. In addition, card growth was 6%. Globally, there are 2.8 billion Mastercard and Maestro branded cards issued.

Now let us turn to Page 6 for highlights on a few of the revenue line items again described on a currency neutral basis unless otherwise noted. The decrease in net revenue of 7% was primarily driven by a decline in cross-border volumes due to the effects of border restrictions and social distancing measures, partially offset by growth in GDV, switched transactions and continued growth in our services. As previously mentioned, acquisitions contributed approximately 1 ppt to net revenue growth. Looking quickly at the individual revenue line items, Domestic Assessments were up 1% while worldwide GDV grew 1%. Cross-border volume fees decreased 41% while cross-border volumes decreased 29%. The 12 ppt difference is primarily due to an adverse cross-border mix, mainly driven by lower yielding Intra-Europe cross-border volumes being less impacted than higher yielding other cross-border volumes. Transaction processing fees were up 4%, while switched transactions were up 4% with the unfavorable cross-border mix I just mentioned being offset by strong services built. Other revenues were up 17% and building a 1 ppt contribution from acquisitions. The remaining growth was primarily driven by our data analytics, consulting and Cyber & Intelligence solutions. Finally, rebates and incentives were up 1%.

Moving on to Page 7, you can see that on a currency neutral basis and excluding a special charge related to litigation, total operating expenses remained flat. This includes a 3 ppt increase related to acquisitions. Excluding acquisitions, we delivered an expense decrease of 3 ppt.

Turning to Page 8, let us discuss the specific metrics for the first three weeks of January. Starting with switched volumes, we continue to believe that most markets are in the normalization phase domestically with some approaching growth. Overall, switched volumes growth remains generally consistent with the trends we saw in December. While we are seeing stronger growth in the US, this is being more than offset by slower growth in markets outside the US, primarily Europe. Switched volumes in the United States have been strong in recent weeks supported in part due to the recent fiscal stimulus. Outside of the US switched volumes in Europe have slowed considerably due to the increased lockdowns in countries like the UK, Germany, and Italy. When you look at how people are spending, we have recently seen a decrease in card present growth rates due primarily to the effects of the increased lockdowns that began to be put in place in December, while our card-not-present growth rates remain healthy. Trends in switched transactions remain steady and are tracking the trends we are seeing in switched volumes. In terms of cross-border, we have seen a reversal in Intra-Europe cross-border in recent weeks relative to the improvement we saw in November and December. Higher yielding other cross-border remains more adversely impacted than Intra-Europe cross-border.

Turning now to Page 9, I'd like to provide some additional color on the cross-border trends across card present and card-not-present. You can see the trends that we shared through the course of the quarter continue. Week to week fluctuations in November and December reflect holiday timing differences year-over-year. In total, if you look at the gray line, total cross-border which showed some improvement in November and December is now continuing in a relatively similar band [ph] to what we saw in October due to the re-implementation of border restrictions. If you look at the orange line, card present spend reflects continued limited travel in part due to the border restrictions I just mentioned. Card-not-present growth, which is the yellow line on the chart, continues to be resilient and has held up well. The green line represents card-not-present spend excluding online travel related spend and remains positive and we continue to see strong growth across discretionary and nondiscretionary retail categories.

Turning now to Page 10, I wanted to share our thoughts for the upcoming year. First and foremost, we feel like we are very well positioned to grow with the strategic deals we have laid out over the last several quarters including (inaudible) Bank of America, NatWest, Deutsche Bank and Santander to name a few. Further, we have positioned ourselves for the return of travel with travel oriented portfolios. We have built a strong set of services capabilities, which continue to grow at a faster rate than the core [ph] and we will deepen penetration of these services across our customer base while expanding this portfolio and our multi-rail strategy positions us well to address new flows and adapt to the changing payment landscape. In terms of the macro environment, we are enthusiastic about the availability of effective vaccines; however, the rate of which at which vaccinations will take place is still uncertain. As a result, we will not be providing a forward view on net revenues for 2021 at this time as we believe visibility is dependent upon border opening, the further relaxation of social distancing measures and improvement in consumer confidence. As we have said, we expect to see progress in these areas in the second half of 2021.

Turning to the first quarter, we anticipate that some of the more restrictive measures that have recently been put in place because of rising infections will persist in the near-term. If this were to be the case, we would not expect spending levels to improve from what we have seen so far in January. By the way, we do plan on providing periodic updates to the operating metrics during the quarter. In addition, I would offer a few additional points to help you with your modeling. First, we will continue to experience lower cross-border related yields until broader scale intra-regional travel recovers. Second, from a growth rate perspective, we expect to start lapping the effects of the pandemic, primarily in March. Also, as a reminder, last year was a leap year, and so, Q1 2020 had an extra date of volumes and revenues, and finally, we expect rebates and incentives as a percentage of gross revenues to be flat or up slightly sequentially due to (inaudible) deal activity including some of the recent wins Michael has just discussed.

Now let's turn to operating expenses. We continue to carefully manage our priorities in order to preserve our ability to invest in our key long-term growth drivers, namely digital, cyber security, data analytics, B2B and multi-rail solutions. For Q1, we expect operating expense growth to be up mid single digits versus the year ago on a currency neutral basis, excluding acquisitions. Of note, this increase reflects the lapping of spending actions taken a year ago as a result of the pandemic, as well as a 3 ppt increase due to the lapping of a favorable hedging gain from a year ago. With respect to acquisitions made in 2020 or later, Finicity closed near the end of last November and we continue to expect the transaction with Nets to close in Q1. Based on this timing [ph], we expect acquisitions to contribute about a 0.5 ppt to revenue in Q1 and 1 to 2 ppt for the year. Similarly acquisitions will contribute approximately 4 to 5 ppt to operating expenses growth in the first quarter and 7 to 8 ppt for the year. As a reminder, we discreetly disclosed the impact of acquisitions for the year in which they close and the subsequent year, after which we do not split them out. Other items to keep in mind, foreign exchange is expected to be about a 2 ppt tailwind to net revenues and a 2 ppt headwind to operating expenses in Q1. While the other income and expense line, we are at an expense run rate of approximately $110 million per quarter given the prevailing interest rates. This excludes gains and losses on our equity investments, which are excluded from our non-GAAP metrics, and finally, we expect a tax rate of approximately 18% to 19% for the year based on our current geographic mix of the business.

And with that, I will turn the call back over to Warren.

Warren Kneeshaw {BIO 16549173 <GO>}

Thanks Sachin. Tanya, we're ready to take questions.

Questions And Answers

Operator

(Technical Difficulty) Hello, Warren?

A - Warren Kneeshaw {BIO 16549173 <GO>}

Hello, Tanya.

Operator

Okay.

A - Warren Kneeshaw {BIO 16549173 <GO>}

Yes, this is Warren. Can you put us back into the main?

Operator

You are in the main conference sir.

A - Warren Kneeshaw {BIO 16549173 <GO>}

Okay, very good. This is Warren. I apologize for the technical difficulties. Hopefully you can hear us well now. We are ready to take your questions and in light of the technical difficulties, we'd be happy to extend the call for taking questions. Next question please, Tanya. We're ready for questions, Tanya.

Operator

Yes, sir. Your next question is from Ramsey El-Assal with Barclays.

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

Hi, glad you are back and thanks for taking my question here. I wanted to ask about the impact of stimulus on your volumes. Is the -- is the US switch volume improvement in January versus December, is this -- do you attribute this largely to the impact of stimulus? And then -- and then secondarily, I was interested Michael on what you were saying about Mastercard's participation with the Central Back digital coins and how you're going to enable them to flow on your network, how do you help governments with that -- with that -- with that product? What can Mastercard do there to be of utility?

A - Sachin Mehra {BIO 15311008 <GO>}

Hi Ramsey. This is Sachin. I will take the first question. So to your question, what we are seeing in the first three weeks of January is better performance in the US and we are -- we are attributing that primarily to the impact of stimulus. Obviously, there are several factors which go into overall spending trends, but the stimulus definitely does play a part and we are seeing that come through. In terms of spend levels in the US. In the first three weeks as well as from a mix standpoint what we're seeing as being more weighted towards debit in terms of what we are seeing in the US.

A - Michael Miebach {BIO 16087573 <GO>}

Good and on the central bank digital currency front Ramsey. So here is multiple ways that Mastercard can be helpful. As I was saying earlier, first of all, we are engaging with governments all around the world really first on a basis to find out what is the path forward when it comes to modernizing the payment stack of a given country. So, is it the right tool for the job and the conclusion is it is the right tool for the job and [ph] where we will certainty partner, but I would also say that you will find situations where real-time payment is a better answer because it just happens to exist already and it lives in the existing financial infrastructure, but let's come back to CBDCs. We have a few principles that we put out into the market and which I'm happy to see is shared by most leading central banks around the world and that is that you will start off with recognizing there are different roles between a central bank and the private sector bank, you don't -- you want your lender of last resort, you want so to say the mining of the currency and then you want the private sector to bring utility to the currency for consumers and for businesses and so forth. So, a two-tier approach and our partnership is with both sectors in this case, private sector to say what utility could be brought, what is the functionality that makes a difference, let us say when you want to pay with a Fiat cryptocurrency in a store and here that is where we bring to bear our acceptance network for example. So, the IP that we have that links the cryptocurrency straight into our network is a very tangible example of what we could do. Then you think about other aspects here is that it's generally in the last mile question, it is also consumer protection, it is transparency, it is business models around that and it is using fundamentally the nature of the distributed ledger technology that is -- that is put too -- put too use here. And as you could imagine a world where there is a bunch of smart contracts riding on a government issued CBDC and that is very similar to what we do in terms of applications in the real-time space although we do with debit and credit in the card space underlying set of rails which we participate in and then we help bring utility across governments and private sector. That's the play, early stages, but we will support and we today only carry Fiat currency in our network and when this makes its way, then we will carry CBDCs in our network.

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

Got it. Thank you so much

A - Warren Kneeshaw {BIO 16549173 <GO>}

Next question please.

Operator

Yes. Your next question is a follow-up from Tien-tsin Huang with JP Morgan.

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

Hey, thanks. So, if you guys could hear me okay now. I'd like to ask on the -- I just wanted to ask on the NatWest win on the debit side, that's a nice one. Anything interesting to share on how this win came together, and I'm not so just curious bigger picture of the pipeline [ph] for new deals if it's changed at all, it it's different in terms of size and quality now versus say this time last year pre-COVID?

A - Michael Miebach {BIO 16087573 <GO>}

Yes, so let me take the first part of the question and then Sachin can talk a little bit more about the pipeline and so forth. Now, this big win NatWest, but then looking at the other strategic relationships with Walgreens, Deutsche Bank, if I look at some of the aspects that recently driven our wins, these ones specifically but broader -- the broader portfolio, it is our capabilities across one set of rails. You heard me talk earlier about it, we want to co-innovate with NatWest on multiple payment rails with certainly a differentiated capability of matters, particularly in Europe where the rise with real-time payment is absolutely rail. Then you think about aspects in these markets, there is open banking is a little more pronounced than in other markets. So, again that's an additional capability that's the differentiator that we have with open banking connect in Europe. You look into our digital first capabilities, so, again something that played out over the last two years in Europe. So, I would summarize it Tien-tsin as innovation, certainly pricing and all that matters, but the fact that there is something else that we can bring to the party and our solution selling approach brings it altogether across services, multi-rail and what we do in our core business. So, I think that's generally the story and how that is changing to let's say two years ago while multi-rail with the Canada win you just saw, we're growing our reach. It is something that is, matters in so many more markets today. So, we are just advancing the strategy and then we can bring it also bear in a case like this.

A - Sachin Mehra {BIO 15311008 <GO>}

Yes, continuing on, I will just add, Michael touched upon the point around the power of the services capability that we bring. You have heard this over the last, I do not know how many quarters, the wins we are having are very much supported by the strength of our services capability. It makes a real difference when we can walk in and talk with customers about how we can help them grow their top line and manage the expense base as it relates to fraud and things like that which becomes more of a partnership discussions than a vendor relationship and that's been a key enabler as to helping us win and that carries on, whether it's NatWest, Deutsche Bank, the whole kind of spectrum of deals and what do I expect on a going-forward basis. The pipeline remains robust. I mean things are going to keep happening, we are going to renew existing customers, we're going to keep working on new customers, we're going to look to expand portfolios with existing customers. So, that's very much up front and center in the bucket of what I call controllable. So, the stuff which is happening in the macro environment, which we don't necessarily control, but there are things we do, which is engagement with our customers and we're driving hard on that.

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

Great detail. Thanks a lot guys. Thank you.

A - Warren Kneeshaw {BIO 16549173 <GO>}

Thank you. Next question please.

Operator

Yes, sir. Your next question is from Dan Dolev with Mizuho.

Q - Dan Dolev {BIO 16010277 <GO>}

Hey, guys. Thank you for taking my question. Quick question on debit, you mentioned debit is driving most of the growth and if I look at Q4 versus Q3 debit growth in the US, it did decelerate by about 200 basis points. I just want to know what's behind it. I see the comps are a little easier. So, it would be great to get a bit of an explanation of what drove that in the fourth quarter and how is it looking in the first quarter? Thank you.

A - Sachin Mehra {BIO 15311008 <GO>}

Sure. So you should think about the mix between debit and credit are based on a couple of things. One, what's going on globally in the nature of the release of stimulus payments, what the timing of that is and what the timing of associated spend from that stimulus payment is, that's kind of bucket number one. But the number two is, what are the categories of spend and which have a higher propensity for debit versus which have a high propensity for credit. So when I think about Q3 versus Q4 and while debit grew at a very healthy pace in Q4, it was a little bit at a slower rate than what we saw in Q3. Back to your point, it is largely being driven by the fact that the impact of the stimulus which we referred in Q3 started away in Q4. On the flip side, credit performed really well and when I say really well, it was still in negative territory but -- our market improvement in credit, because there was a greater amount of spend taking place in discretionary categories which are credit-heavy. So, we follow that, then we tracked this pretty closely and I think that would be the reasons why you should be able to explain what changes are taking place in terms of the mix between debit and credit.

A - Michael Miebach {BIO 16087573 <GO>}

And then just one point to add then, what we have seen in previous challenged periods in terms of economic outlook, there is in a downturn debit is all -- generally preferred and the main reason for that is people really want to spend the money that they have and avoid taking on extra burden in terms of additional debt. So, this is a normal pattern that we have seen and it plays out in the way that Sachin just talked about.

A - Warren Kneeshaw {BIO 16549173 <GO>}

Next question please.

Q - Dan Dolev {BIO 16010277 <GO>}

Thank you and congrats on your fiscal.

A - Michael Miebach {BIO 16087573 <GO>}

Well, thank you.

A - Warren Kneeshaw {BIO 16549173 <GO>}

Next question please. Tanya?

Operator

Your next question your next question is from Jason Kupferberg with Bank of America.

Q - Jason Kupferberg {BIO 6867809 <GO>}

Thanks guys good morning. I just wanted to ask a two-part question on cross-border. The first part is the highest yielding part of the cross-border business, the non-intra-Europe piece recently seems like the year-over-year declines are moderating a little bit. I don't want to make too much out of a couple of weeks of data, but can you just touch on what has maybe driven the incremental improvement in that metric and the sustainability of the improvement as the comps presumably get compressively easier from here, more or less on a weekly basis? And then the second part is more of a conceptual question, I mean in your base case of macro recovery in travel recovery, is it feasible that cross-border revenues next year in 2022 could get back to 2019 levels, not obviously asking for guidance, but just conceptually based on how you think the macro could theoretically unfold? Thank you.

A - Sachin Mehra {BIO 15311008 <GO>}

Yes, so, on the first part of your question. Here is what I tell you, I would tell you we are closely watching what these trends are. In the first three weeks, we have the exactly what you're saying, which is the non-intra-Europe cross-border has started to see a little bit of a recovery come through. There are lots of puts and takes, which take place there. And let me try and give you a little bit of color as to what could be driving some of that. Right, first, at the end of the day when you think about this component of non-intra cross-border, there are still several borders which are open. There are people traveling. I could think about US, Mexico. I think about borders within the Middle East and Africa. I could think about certain travel, which is taking place in Asia-Pacific. So you might be seeing, you're seeing a little bit of that come through. The other component, which is, which is, which is driving this is at the end of the day when we think about other cross-border, we think about it generically speaking in the context of people getting on planes and traveling, but other cross-border is also influenced by ex-pats. People who are sitting in far locations who have cards [ph], which are from their home countries and the spend times on that could be influencing a little bit of what we are going on -- what we're seeing here. I wouldn't make too much of the trends we are seeing in the first three weeks, we have to watch it for a little bit of a longer period of time. And that's the kind of color I could share with you on that. On your longer-tem question on cross-border, look, I'm going to tell you, we as a company are very encouraged by what we're seeing from a overall availability of vaccine standpoint. The rollout is something which is still kind of uncertain and we will watch how the rollout goes. We believe with the availability of vaccines at scale, we believe that the availability of more efficient testing, therapeutics, and people -- the confidence of consumers will come will come back, borders will start to be relax and social distancing measures will start to relax. Now, we expect that to happen more in the latter half of this year. So longer-term I would tell you, I'm quite optimistic about the fact that we're seeing vaccines, which are proving to be as effective as what the best results would suggest and we will see where it all kind of shapes [ph] up, I'm really not in a position to give you guidance as it relates to what I think cross-border will look like through the course of 2021 but I feel like if you just sat back and you have thought about it, there is the near term and then there is the longer term. The near-term will continue to be linear until this vaccine stuff is rolled out at scale. The longer term, we feel very encouraged about.

A - Michael Miebach {BIO 16087573 <GO>}

Just an aspect to add here and that is that -- there is distinction between personal travel and corporate travel, we've seen it in the summer. This past summer 2020, the reaction once consumer confidence increases turned right up into travel increasing because people want to get on with their life, they want to see their friends and families and whatever. So the reaction of personal travel do -- driven by consumer confidence, which will in turn be driven by the vaccine rollout Sachin just talked about. I think it is going to be relatively near-term, corporate travel that will take longer, video tools, we should have actually used the video tool today, maybe you just see that that is an additional way of getting together. Yes, people want to see their customers, how that will play out, we don't exactly know but back to personal travel that is a significant majority of our travel portfolio and all the wins that we had recently, they're kick at this time. So medium term we're encouraged.

Q - Jason Kupferberg {BIO 6867809 <GO>}

Thank you.

Operator

Yes. Your next question is from Darrin Peller with Wolfe Research.

Q - Darrin Peller {BIO 16385359 <GO>}

Thanks guys. Just a very quick follow-up on cross-border and then a structural question but on cross-border we remember in February and March, it really started in Europe and the slowdown and then in March obviously, the US, and so I'm just curious if that's where the comps, do you expect to start seeing in these are up but Michael more and more from a structural standpoint, we just want to understand, what do you know, now that it's almost been a year when we look at services and the opportunity there, we look at some of the other opportunities that are contactless and e-com, can you just touch on what you expect to be more permanent or more sustainable in terms of the business improvements due to the electronic nature of what we've seen in the pandemic? Thanks.

A - Sachin Mehra {BIO 15311008 <GO>}

Yes. So, hey, Darrin, it is Sachin. So on your question around the lapping effect of cross-border, you're right. We saw some major [ph] cross-border decline in the later part of February is what I would tell you, but the vast majority of the lapping effect like I said in my prepared remarks, we expect to see across all our drivers in the month of March. That's the way I kind of think about what we're seeing here.

A - Michael Miebach {BIO 16087573 <GO>}

All right and Darrin on the questions on the trends, what makes a trend and that's like -- that's the key question here. Certainly, we started a digitization trend that has been around for years accelerate dramatically. I think it's fair to say that years have been compressed into months. So, what part of that will stick? When I look at what we're going to see is structural changes, is sticking trends, I fundamentally believe that e-commerce is not going to revert back to what it was. So, no back to quarter four or 2019. I think the general attitude towards cash is going to remain more negative than before. The surveys that we've done every single month since April of last year is telling us that consumers, broadly speaking, 60% of consumers have a somewhat negative -- more negative attitude towards cash now and we don't think that will change, 70% of consumers were going to do more digital banking, more online purchasing and more contactless. So I think that will, that will just remain. As I said earlier in my -- in my prepared remarks; one, you can venture out there and social distancing measures are relaxed people will want to go and shop in their stores in their local community. Yes, support the local restaurant, whatever it is, but the good experience is people have started to appreciate and learn online, they will not go away. So, the good thing is we'll have two legs to stand on and our business will benefit from both of them. Other structural trends that I see is more digital transactions, more data, more desire to understand the data, data insights, our services portfolio is on point for that, the same is more digital transactions, larger cyber footprint, potentially more risks and a bunch of new business is coming online that have been brick and mortar only. That's an opportunity for us from a cyber security perspective and then there's a whole cross-border money [ph], digitizing supply chains, B2B, I would say that is the other structural change and people take away from the pandemic.

Q - Darrin Peller {BIO 16385359 <GO>}

That makes sense. Thank you.

A - Warren Kneeshaw {BIO 16549173 <GO>}

Next question please.

Operator

Your next question is from Lisa Ellis with MoffettNathanson.

Q - Lisa Ellis {BIO 18884048 <GO>}

Good morning and Michael congrats again. In the prepared remarks, you highlighted the addition of Finicity to Mastercard's open banking portfolio. Can you elaborate a bit on how you're thinking about open banking where the payment or funds transfer could be made with debit with Mastercard Send with (inaudible). Can you just comment a bit on how Mastercard's role differs, value-added differs, economics differ across all of these different methods of payment and are you agnostic or not why, why not? Thank you.

A - Michael Miebach {BIO 16087573 <GO>}

Yes, that's pretty broad question, Lisa. Let me -- let me take the first part of it and then Sachin can talk around the economics and the business model behind that. Broadly speaking, the way we look at open banking is, yes, it's adding data transmission capabilities as well as an additional set of transaction rails. We can initiate payments through open banking permissioned API connections we can do that, but we also can just verify assets or help in credit decisioning. So it's a wide range of use cases and we are pretty agnostic what they are, we're quite happy to initiate payments directly through real-time payment rails but also the combination of a market where there is real-time payment infrastructure, there is an open banking regulation as in Europe. The fact that we have a strong position in both allowed us to leverage the combination of that quite effectively. That is one of the things that Tesco does with us, the proposition that Tesco is offering is you pay your credit card very simply through an open banking connection leveraging the real-time payment rail that check, check, check and it's a good combination for us. Overall, where is this going to go, I see it as an additional leg in our multi-rail strategy. So one link into Mastercard, you want to pay through an open banking link, you want to pay through real-time payment, you are going to pay through cards, whatever it is, one thing is Mastercard, that's the overall strategy. Finicity helps us clearly in the United States but as I said before these use cases that they have on asset verification and on-private decisioning, they are so in demand at this point in time taking them to Europe as quickly as possible will matter. Now, Sachin help to unravel some of these business models behind (multiple speakers).

A - Sachin Mehra {BIO 15311008 <GO>}

Yes, so, Elisa, just a couple of thoughts around banks [ph]. I think you are quite familiar with the way we think about what constitutes our yield as a business right, it is across infrastructure applications and services and I would tell you whether it's our card [ph] rails or it's our real-time (inaudible) rails or it's open banking. The reality is, there is an opportunity to realize revenue across all of these three layers [ph]; infrastructure, apps and services and so as we get more in the flow of transactions and/or data, there is the opportunity relies on all of those levels. If your specific question is around what the, what the interaction of economics will be if payments were to take place over open banking rails allowing for card rails, what the reality is we're in the business of providing choice to consumers and what we're going to do is provide choice, we get a price for the value we deliver across all of these three layers. I think a it is little early to tell you exactly what the -- the actual economics of a transaction over for example open banking rails may be if it is a payment transaction. What I can tell you though is take something like pay by account, which we launched in the UK. The economic for us on pay by account in the consumer use case in the UK are quite similar to our debit economics out there.

A - Michael Miebach {BIO 16087573 <GO>}

But broadly speaking, I think it's fair to say we are agnostic, it's about choice. The market when it goes one way, then the market will go one way and we will partner and otherwise if it goes the different way, we will partner.

Q - Lisa Ellis {BIO 18884048 <GO>}

Wonderful. Thank you.

A - Warren Kneeshaw {BIO 16549173 <GO>}

Thanks. We are going to go to, I think, it is time for Tanya, you can stick with us just to take a few more questions. So, Tanya, next question please.

Operator

Yes, sir. Your next question is from Timothy Chiodo with Credit Suisse.

Q - Timothy Chiodo {BIO 16128908 <GO>}

Thanks a lot for taking the question. So one area of focus for investors has been what the makeup of cross-border volumes will start to look like over the next three to five years. So clearly in 2020, retail e-commerce became a much larger piece of the mix, travel became a smaller piece of the mix, but longer term, once we assume travel recovery, but then will also be the mix in Mastercard Send, trends that Mastercard Track expanding into B2B, more account to account remittances et cetera, across the board mixing into the cross-border volumes. Maybe you could talk about that evolution over the next few years and what that mix might look like?

A - Sachin Mehra {BIO 15311008 <GO>}

Sure. Hey, Tim, it is Sachin. So, couple of thoughts; one, we do expect with the return of travel, the mix will start to come back to levels similar to what we saw pre-COVID. It might take a little bit of time as it relates to the business travel component, but I wanted to remind you that the vast majority of our travel from a cross-border perspective that happens to be personal travel, which we expect to come back and come back based on the comment which Michael made around the pent-up demand. So, we will see that come through. But you're exactly right about other elements of cross-border whether it is leveraging our real-time rails and the applications in our cross-border manner, real opportunity we feel there as well, because today what we're tapping into is the consumer flows, what we call the person to merchant flows leveraging our card [ph] rails in a cross-border environment. The opportunity from a B2B standpoint still remains largely untapped and this is where our speed [ph] of assets from a multi-rail standpoint really will play an important part, whether it's our Send capabilities or the acquisition of Transfirst which we did all of those are key contributing factors and we're rolling those out pretty nicely. We're building some scale. We are building capabilities as we go down that path. So, all in all, I will tell you cross-border remains a fairly decent size opportunity on a going-forward basis.

A - Michael Miebach {BIO 16087573 <GO>}

And Tim back to my earlier comments around structural changes and B2B and supply chain, a big part of the supply chain insight that people have just gained over the last nine months is that there is dependency on parts of the supply chain cross-border that they want to digitize and this -- so they can be more flexible to change suppliers in future scenarios. Now here we come in with Transfast, we come in with our announced acquisition of HomeSend, the combination of all of that and then you take this multi-rail capability, picture this in the context of track where there is data switch, all the data that you want alongside with your B2B transaction is coming along, I need to choose whichever way you want to send it. Use cases like remittances, buyer-supplier payments, which make up of $110 trillion of global flows, significant opportunities for us to get the assets in place.

Q - Timothy Chiodo {BIO 16128908 <GO>}

Thanks for taking the question.

Operator

Your next question is from Don Fandetti with Wells Fargo.

Q - Donald Fandetti {BIO 6095992 <GO>}

Hi, good morning. So, Michael, congratulations as well. I didn't get your updated thoughts on like big tech, clearly fintech proliferation is a big positive that works in our view, but how is -- how are the discussions with the big tech players going today versus a year or two ago and do you think your interest is still aligned commercially and also in Washington from a regulatory perspective?

A - Michael Miebach {BIO 16087573 <GO>}

Yes, John, that's, that's a good question to round this call off. I think very, very wide-ranging question. You have a lot of elements that you put in there. So let me go at this from a couple of perspectives. The first is our -- our office (inaudible) was, these are partners, these are customers and we have strong relationships with all of them; Amazon, Facebook, Apple, you name it and just think about the Applecart as an example there. When you -- then look forward you look at where is the world going in terms of different rails, in terms of emerging technologies, in terms of 5G, so there is a lot of change from a technology side in our ecosystem and here's big tech players, but what I'm finding is that our specialist role here and our focus specific on payment technology makes us a very relevant partner. Most of these companies are oriented and focused on delivering a particularly in good consumer experience, digital user experience to their customer base, trying to keep customers in their ecosystem whatever they might be doing, it is their social network or something like that and we stand the role of being the payments partner. That is a model of interaction that I think will continue to evolve. Some of these players do have payment aspirations and Don that's where your question is going, but then you look at our services portfolio, you look at our capabilities like card on file tokenization and so forth, we help them with our services portfolio while they create quite a nice consumer front-end experience. The (inaudible) is a good example for that and as long as there is choice in underlying payment tools, we are quite happy to partner as it drives the overall digital -- the acceleration of the digital trend. In terms of, it will change -- change in political regime and the incoming administration and the view on big tech, that is for them to comment on, you're basically, we are guided by our partnership, we want to lean in and continue to drive our business. Overall otherwise, it's early days, we have a great dialog with the incoming administration, they're interested in payments, which we generally like and this is by the way the trend around the world, governments interested in payments is critical, national infrastructure and we engage in that dialog, topics of cyber security, data principles where we all a leading voice, that's how we engage.

Q - Donald Fandetti {BIO 6095992 <GO>}

Thank you.

A - Warren Kneeshaw {BIO 16549173 <GO>}

Thanks, Michael. I think it's time to wrap up. I just wanted to thank you for bearing with us as we went through this process and I'm sure, Michael will always remember his first call (inaudible) unfortunately. Michael, any final thoughts?

A - Michael Miebach {BIO 16087573 <GO>}

Yes, my blood pressure is slowly coming down again after this little hump earlier. Now, thank you for the questions. Really appreciate the interest and the dialogue, I don't want to repeat anything, I have to go back one more time to 2020, that was a challenging year for the industry, it was certainly something that made us, needed us to be as agile as we could possibly be and I just want to comment again and our employees really stepped up and allowed us to close out the year on this positive trajectory. We said on a number of occasions throughout this call here, we're optimistic about COVID recovery really in the light of the vaccine being deployed, we're optimistic about cross-border coming back driven by the exact same point. So, in the near term, there is optimism, in the very, very long-term there is optimism. I want to make one more point, all of this is great from an economic perspective and a performance perspective, what is equally important is that we do the right thing for communities and for our planet and this week I'm really proud and so many people at Mastercard are as we put out our net-zero commitment and that is just the last thought I want to leave you with. With that, looking forward to speaking to you with less technical issues in a quarter from now. Thank you very much.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.
