V Earnings Call – FY2025 Q2

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Operator

Welcome to Visa's Fiscal Second Quarter 2025 Earnings Conference Call. All participants are in a listen-only mode until the question-and-answer session. Today's conference is being recorded. If you have any objections, you may disconnect at this time. I would now like to turn the conference over to your host, Ms. Jennifer Como, Senior Vice President and Global Head of Investor Relations. Ms. Como, you may begin.

Jennifer Como

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

Ryan McInerney

Thanks, Jennifer. Visa is one of the world's best businesses with strong growth and leading profitability powered by a world-class brand, innovative technology, an unparalleled network, and global scale. This quarter, we saw the strength of our business model with $9.6 billion in net revenue, up 9% year-over-year, and EPS up 10%. Our key business drivers were strong. Even with the lapping of leap day from last year and consumer spending remained resilient in an uncertain and dynamic environment. In constant dollars, overall payments volume grew 8% year-over-year. US payments volume grew 6%, and international payments volume grew 9%. Cross-border volume, excluding Intra-Europe, rose 13% in constant dollars, and process transactions grew 9% year-over-year. Our strategy across consumer payments, commercial and money movement solutions and value-added services continues to resonate with our clients, and we remain focused on serving our clients through our innovation and product development. I will start with quarterly highlights and then make a few comments on the current environment. In consumer payments, we continue to execute the fundamentals, expanding credentials and acceptance, and driving user engagement in order to grow both carded and non-carded volumes. Total credentials grew 7% with generally consistent growth across our regions. We added 1 billion tokens since last quarter to total 13.7 billion, and now nearly 50% of our e-commerce transactions globally are tokenized. We also crossed 1 billion tokens in Latin America and 0.5 billion in CEMEA. And we continued to make progress, displacing cash in key markets. For example, India, Mexico and Brazil each added more than 1 million merchant locations in the last year as we have driven greater acceptance, including with smaller merchants. We recently signed an agreement with Efecty, one of the biggest cash networks in Colombia, with over 30 million users. Efecty will launch 4.5 million consumer debit cards and build acceptance with their cash agents. We also convert closed-loop to open-loop opportunities. For example, I'll highlight two transit deals in Latin America, one in Argentina with Banco de la Nación to launch an open-loop SUBE Visa card for use on public transportation. And two, in Chile with Metropago to also launch an open-loop Visa card, and at acceptance locations at transit stops. As we mentioned at Investor Day, what gives us confidence in our ability to grow consumer payments are our products and our solutions. They are enabling us to succeed in important high-value consumer payments use cases, innovations such as Tap to Everything, tokens, multi-currency cards, flex credentials, account-to-account solutions, and our differentiated cardholder benefits platforms. I'll note some progress this quarter. Our efforts in Tap to Everything continued, driving cash digitization and habituation. Tap to Phone added nearly 2 million transacting device terminals since last quarter, with growth primarily driven by Latin America, the US, and Europe. Tap to Pay penetration is now at 76% globally, with the US passing 60% for the first time. Penetration at US drug stores, retailers, and quick-service restaurants is now above 60% as well. Tap to Add Card continued to gain traction, and with the majority of fraud being eliminated as compared to manual entry, it's not surprising that we now have nearly 150 issuers participating globally in more than 35 countries and territories. Tap to P2P is a Visa product that leverages tokenization for enhanced security. Visa's tap kernel and SDK technology for seamless contactless data transmission between devices and the convenience of Visa Direct's real-time money movement for funds transfers. We are soon launching our Tap to P2P products in the US with Samsung. Samsung Wallet will introduce this innovative P2P payments feature that will allow users to quickly send money to friends or family by just tapping a phone to a debit card or another phone, a strategy focused on enabling cross-platform functionality across mobile wallets. Another development is in our stablecoin offerings. We believe two important capabilities are interoperability and programmability. We have continued to expand our interoperability, including with our first seven-day-a-week stablecoin settlement, recently surpassing $200 million in cumulative stablecoin settlement volume. On programmability, we also developed the Visa tokenized asset platform to help enable banks to issue and leverage stablecoins for new types of programmable finance. Our first pilot partner, BBVA, plans to launch a stablecoin later this year on the Ethereum blockchain. In our focus to attract and retain the affluent and cross-border traveler, we continue to evolve our Infinite product and are excited about the launch of the Scotiabank Passport Visa Infinite Privilege card, offering elite travel benefits for Canadians. The card provides travel rewards, insurance, and exclusive perks. Moving to commercial and money movement solutions. As we drive further penetration of these opportunities, we have seen strong results in the second quarter with commercial volume up 6% in constant dollars, Visa Direct transactions up 28%, and CMS revenue up 13% year-over-year in constant dollars. In Visa Commercial Solutions this quarter, we made progress on our strategy as we deepened our relationships with a number of existing clients. To capture the accounts receivable and accounts payable opportunity, we are utilizing product innovations such as embedded finance solutions to meet payers where they manage their business to drive adoption of cards. We are pleased that Lloyds has signed a deal with Taulia to issue and embed Visa virtual cards in the SAP ERP and procure-to-pay workflows of their customers. Our vertical-specific strategies serve the needs of small, middle-market, and large businesses. In that light, we are supporting Itau in their card as a service platform, which offers credit and debit card issuance, product life-cycle management, and digital accounts to businesses across agribusiness, real estate, auto and retailers. In the B2B travel vertical, we continue to see strong demand for innovative payment solutions to transact in multiple currencies, while enhancing payment security, reconciliation, and operational efficiency. We expanded our agreement with Leon Lea Global to launch a B2B travel solution in Hong Kong. Leon Lea Global will also be utilizing Visa Direct multi-currency capabilities to support end-to-end collections and payouts. Continuing with Visa Direct, this quarter we signed an important deal with Jack Henry to offer Visa Direct through their digital applications to facilitate rapid transfers among bank accounts and enable their community and regional financial institution clients to offer Visa Direct to their consumer account holders and SMBs. In the cross-border space, checkout.com is the first acquirer in the UAE to launch Visa Direct's push-to-card solution, enhancing real-time money transfer capabilities for both cross-border and domestic transactions. And in the US, we expanded our agreement with TabaPay, a money movement platform serving more than 6,500 fintechs and enterprises. Visa Direct will now be enabling push to account and wallet in addition to push to card. These are all examples of our strategic focus to grow our domestic and cross-border business and expand with our existing customers for Visa Direct, the largest money movement platform in the world by transactions, volumes, and endpoints. In value-added services, we continued to deepen our relationships with our existing customers and also focused on attracting new customers with some of our recently acquired assets. Value-added services revenue grew 22% in constant dollars, powered by strong growth across all portfolios. I'll share a few areas of success in the execution of our strategy. In issuing solutions, Pismo brings a holistic offering with credit, debit, prepaid, and commercial issuer processing and core bank processing. We have a strong pipeline, and we are well on our way to enter five new countries across four regions this year. Some recent deals to note include, First in Latin America with Nequi in Colombia, and Banco de la Nación in Argentina. And in Asia-Pacific with T2P in Thailand and [indiscernible] in India. Also in issuing solutions, we continue to grow our card benefits business. In Europe, Raiffeisen Bank International in Austria recently launched the travel sentive travel platform, leveraging our solutions as well as added Visa's PriorityPass benefits to customers. In acceptance solutions, we recently announced two new product offerings. The first is a completely new version of Authorized.net, launching in the US next quarter and additional countries next year. It features a streamlined user interface, AI capabilities with an AI agent, A-Net, improved dashboards for day-to-day management and support for in-person card readers and Tap to Phone. It will help businesses analyze data, summarize insights, and adapt to rapidly changing customer trends. The second is the new unified checkout experience, available in the US and in pilot stage in additional markets in Q4. As new ways to pay continue to emerge, merchants want to integrate once to accept all payment types to decrease the likelihood of lost sales at the point of checkout. Unified checkout can be launched in a few hours with a deploy-ready payment acceptance code. It is designed to deliver strong e-commerce conversion rates with an intuitive checkout experience, orchestrating over 25 card and alternative payment options. Because unified checkout is part of the Visa Acceptance Solutions platform, customers also have access to fraud management, 3D secure authentication, and tokenization management. We also continued to grow our client relationships in Acceptance solutions this quarter. For example, we have now become the payment service provider of choice for sporting goods retailer Decathlon, who has more than 2,000 stores in nearly 80 countries. Decathlon will be using our gateway and decision manager capabilities for their e-commerce business. In risk and identity solutions, since the closing of our acquisition of Featurespace, we have been actively pursuing deals and have signed over 20 clients globally. We also now provide an enhanced holistic fraud protection solution from Featurespace called the Adaptive Real-time Individual Change-identification or ARIC Risk Hub. This solution utilizes machine-learning and AI solutions to enable clients to build more accurate risk profiles and more confidently detect and block fraudulent transactions, ultimately helping to increase approvals and stop bad actors in real-time. In advisory and other services, our open banking platform, powered by Tink, provides payment initiation and account information services to sellers and payment providers or PSPs across Europe and the United States. In Germany, Tink and Adyen are working with Recharge and Vodafone to provide their customers the option to pay by bank when checking out. Tink has reached a milestone of over 10,000 merchants choosing Tink's pay by bank capability via our more than 10 European PSP partnerships. Across our VAS portfolio, our innovations are designed to address specific challenges in the payments ecosystem and to provide secure, efficient, and scalable solutions for businesses of all sizes. At Investor Day, I spoke about the evolution of our Visa as a service stack. The foundation of our stack is our global connectivity and the infrastructure that Visa is built on, our network, our network of networks, and access to our credentials and acceptance. Then we have our services architecture, which contains the specific capabilities that we think of as the building blocks for everything that we do, like risk, settlement, and more. Using these services, we create client solutions. We are taking these componentized capabilities and investing in and enhancing them to create new features and capabilities to offer them to a much broader array of customers and partners. And we strive to make it easier than ever for our partners and clients to access these solutions. I encourage all of you to tune in tomorrow to Visa's 2025 Product Drop, where we will share how we continue to evolve the Visa as a Service stack to further our product development and lead in AI. You can watch live on our website at 10 A.M. Pacific Time. Before I hand over to Chris, I'll share some thoughts on our business performance and the current environment. Throughout our history, we have evolved our network and strategy to deliver the best innovation, serve our clients, and pioneer the future of payments. We saw the result of these efforts this quarter with our strong financial performance. Halfway through our fiscal year, consumer spending has been resilient and strong, but there's much uncertainty. Focusing on the US, in Q2 and through April 21, we have not seen any signs of overall consumer spending weakening. While spending growth differs among consumer spend bans, with the most affluent growing the fastest, all spend bans remain resilient and consistent with past quarters. Within spend categories, there are some select areas, such as in travel with airlines and lodging, where growth has decelerated, but overall discretionary and non-discretionary spend remains strong. Outside the US, we see similar stable trends. Within cross-border, volume growth was in line with Q4 2024 levels. We have seen some impacts from currency weakness and travel to specific countries, but the overall growth was above the pre-COVID trend. To wrap up, while we are certainly not immune to the macroeconomic impacts, our incredibly diverse business model has proven to be resilient in the face of a variety of environments, most recently in Q2. And we see this resilience playing out in our financial outlook, which Chris will cover in a moment. For the rest of the year and beyond, what I, our leadership team, and our more than 31,600 employees are focused on is serving our clients and capturing the enormous opportunities ahead. We focus on what we can control and stand ready to make thoughtful adjustments when necessary. I am confident that our business model, strategy, and employees will continue to keep Visa operating from a position of strength well into the future. And with that, I'll turn it over to Chris to review the financial results, discuss what we have seen so far in April, and provide our expectations for the rest of the year.

Chris Suh

Thanks, Ryan, and good afternoon, everyone. Our second-quarter results reflected strength in our business. In constant dollars, global payments volume was up 8% year-over-year, and cross-border volume, excluding Intra-Europe, was up 13% year-over-year. Total process transactions grew 9%. Adjusting for the lapping of leap year, our trends were generally stable. Fiscal second-quarter net revenue was up 9% year-over-year in nominal dollars and 11% in constant dollars, helped by resilient consumer spending, lower-than-expected incentives, and better-than-expected value-added services revenue. EPS was up 10% year-over-year and 11% in constant dollars, better-than-expected, primarily due to stronger operating performance and a lower tax rate than expected. Let's go into the details. Total international payments volume was up 9% year-over-year in constant dollars in Q2, relatively consistent with Q1 when adjusted for leap year. US payments volume was up 6%, with e-commerce growing faster than face-to-face spend. Credit was up 5% and debit was up 7%. When we look on a monthly basis in the US, we had a strong January, a dip in February, primarily due to the lapping of leap year and a relatively strong March, even with the fact that Easter was in March last year and in April this year, which resulted in Q2 year-over-year growth being below Q1, but better than Q3 and Q4 of 2024. When looking further at quarterly spend category data in the US, adjusted for leap year, we saw travel and entertainment growth decelerate, restaurant growth remained stable, and retail and fuel growth improved with strong and stable total discretionary and non-discretionary spend growth, reflecting resilience in consumer spending. Now to cross-border volume, which I'll speak to in constant dollars and excluding Intra-Europe transactions. Before going into the detailed results, I wanted to spend a moment to discuss the makeup of our cross-border business. From a geographic mix perspective, our total cross-border volume is fairly well distributed, with no reported region comprising more than 25% of total cross-border issued volume. Both e-commerce and travel issued volume reflect a broad distribution as well. You may also recall that our total cross-border issued volume mix is about 40% e-commerce and 60% travel. So there is diversity by region and by spend type. Keep in mind that just as our cross-border volumes are distributed, so are the associated revenues. Now on to the results. Total cross-border volume was up 13%; e-commerce was up 14%; and travel was up 12%. There were several factors that contributed to the growth moderation from Q1 to Q2, including the lapping of leap year, the timing of Ramadan and Easter, weaker currencies in certain countries, and softer Canada to US travel. Some of these factors impacted our intra-quarter trends, which varied slightly from US payment volume trends. While we saw a strong January and a February impacted by leap year, we did see a somewhat softer March. Even with these factors, as Ryan mentioned, the total cross-border volume growth was in line with Q4 2024 levels and above the pre-COVID trend. With that as a backdrop, I'll move to discuss our financial results, which were strong. Starting with the revenue components. Service revenue grew 9% year-over-year versus the 9% growth in Q1 constant dollar payments volume. Data processing revenue grew 10% versus 9% process transaction growth, primarily due to value-added services and pricing. International transaction revenue was up 10%, below the 13% increase in constant dollar cross-border volume, excluding Intra-Europe, but in line with nominal volume growth, reflecting the impact of FX. In addition, while we had higher volatility in Q2, this was offset by a number of factors, including client mix and hedging. Other revenue grew 24%, primarily driven by growth in advisory and other value-added services and to a lesser extent, pricing. Client incentives grew 15%, lower than expected, primarily due to factors related to deal timing. Now, to our three growth engines. Consumer payments revenue was driven by strong payments volume, cross-border volume, and process transaction growth. Commercial and money movement solutions revenue grew 13% year-over-year in constant dollars, driven by commercial payment volume growth of 6% year-over-year in constant dollars, consistent with last quarter. And Visa Direct transaction growth of 28% year-over-year to 3 billion transactions, below Q1 growth, primarily due to the lapping of our initial ramp in Latin America for interoperability among P2P apps and the lapping of leap year. CMS revenue growth in Q2 moderated from the first quarter, primarily due to lower cross-border volume growth and the absence of the lapping benefit of one-time items. Value-added services revenue growth accelerated to 22% in constant dollars to $2.6 billion, with strength across all portfolios led by issuing solutions and advisory and other, and inclusive of Featurespace. Operating expenses grew 7%, primarily driven by increases in personnel, marketing, and depreciation and amortization. This was lower than we expected, primarily due to a more favorable FX impact from balance sheet remeasurement and some marketing campaigns and advisory services related expenses being shifted to Q3. Our tax rate for the quarter was 16.9%, lower than expected due to several items, including a change in our geographic mix of earnings. EPS was $2.76, up 10% over last year, with an approximately 1.5 point drag from exchange rates and an approximately 0.5 point drag from acquisitions. In Q2, we bought back approximately $4.5 billion in stock and distributed $1.2 billion in dividends to our stockholders. At the end of March, we had $4.7 billion remaining in our buyback authorization. And in April, the Board of Directors authorized a new $30 billion multiyear share repurchase program. Now let's move to what we've seen so far in Q3. Through April 21st, driver trends have been strong, with some benefit from Easter and Ramadan timing. US payment volume was up 8%, with debit up 9% and credit up 7% year-over-year. Process transactions grew 12% year-over-year. For constant dollar cross-border volume, excluding transactions within Europe, total travel and e-commerce cross-border volume each grew 13% year-over-year. Now on to our expectations. Remember that adjusted basis is defined as non-GAAP results in constant dollars and excluding acquisition impacts. You can review these disclosures in our earnings presentation for more detail. As we said many times, we are not economic forecasters. The potential impacts from tariffs have led to higher levels of economic uncertainty. That being said, what we've seen thus far in our results is relative resilience in consumer spending. So with that as a backdrop, let me cover some of our key assumptions that are incorporated. For cross-border volume, our assumption is that Q3 and Q4 volumes are in line with the average of March and April, which normalizes for Easter and Ramadan timing as well as accounts for other factors I referenced when describing Q2 results. This puts Q3 and Q4 cross-border volume growth slightly below Q4 2024 levels. For volatility, we have seen high FX volatility thus far in April, but assume this will moderate starting in May and remain level for the remainder of Q3 and Q4. This puts Q3 just above Q2 and Q4 more in line with Q2. For incentives, as a result of some client performance adjustments and deal timing, we are assuming that the year-over-year growth in incentives in the back-half will be higher than the first-half, with sequential step-ups in Q3 and Q4. Pulling it all together, we expect third-quarter adjusted net revenue growth in the low-double-digits, essentially in line with Q2. Moving to operating expenses. As we had some timing impacts of expenses in the second quarter, we now expect those to occur in the third quarter with adjusted operating expense growth in the low-double-digits, relatively consistent with adjusted revenue growth. Non-operating income in the third quarter is expected to be approximately $150 million, which includes a benefit from the reversal of accrued interest expense due to the resolution on the tax matter. And our tax rate in the third quarter is expected to be between 17% and 17.5%. As a result, we expect third quarter adjusted EPS growth to be in the high-teens. For acquisition impacts, we expect a minimal benefit to net revenue growth, an approximately 1 point contribution to operating expense growth, and an approximately 0.5 point headwind to EPS growth in the third quarter. Moving now to the full year. Our full-year guidance for adjusted revenue growth, adjusted operating expense growth, non-operating income, tax rate, and adjusted EPS growth remains unchanged. In summary, we delivered another strong quarter in Q2, and our business remains steady. As Ryan said, throughout our history, we've managed through different economic cycles, and we're confident we'll manage through this period as well. Now Jennifer, it's time for some Q&A.

Jennifer Como

Thanks, Chris. And with that, we're ready to take questions.

Operator

[Operator Instructions] Our first question comes from Tien-Tsin Huang from J.P. Morgan. Please go ahead.

Tien-Tsin Huang

Hi. Thanks a lot. Good results here. It looks like the consumer is pretty resilient. So beyond volumes, I wanted to ask if you've seen any noticeable change in tone on client decision-making pipelines, backlog. I'm definitely curious about international clients, and maybe if they're changing their -- the speed with which they're working with Visa. Thanks.

Ryan McInerney

Hi, Tien-Tsin. The bulk of the time we've been spending with clients over the last several months has been sharing our data, sharing our products and solutions, working with our advisory teams, really helping them to navigate this environment. And that's been the bulk of what we've been doing. I mean, this is the time when we try to be at our best with our clients. We -- I talk to our teams every week to make sure they're out in the offices of our clients, leaning in to work with them. And that's been the bulk of how we've been spending time with our clients, helping them make sure they have all the data and information and tools and solutions they need to run their business most effectively, which many of them run very, very complicated businesses. Over time, there could be conversations about partnership arrangements and deals and those types of things, but that's not been the bulk of how we've been spending our time today.

Jennifer Como

Next question.

Operator

Next, we'll go to the line of James Faucette from Morgan Stanley. Please go ahead.

James Faucette

Thank you so much. Wanted to ask about what you're seeing around our bookings around international travel and travel generally. You highlighted there have been a little bit of slowing growth there, maybe domestically, but overall still remained good and maybe impacted by FX, et cetera, but we've seen a lot of FX moves. So just wondering how you're feeling about the travel outlook on a go-forward basis and anything you can glean from early bookings, et cetera? Thanks.

Ryan McInerney

Hi, James. Yeah. We covered a number of moving parts in our travel and cross-border business as it impacted Q2 and gave some assumptions about what we anticipated going into the back-half of the year. I think I'll make two points. One is, obviously, the situation is quite fluid, and we're monitoring the data very closely, and we're really relying on facts and facts and the results as we see them. But the second point maybe is even more important is that when we look across our business, we talk about the diversity of our business across -- in many dimensions. Regional is one of them. But certainly, when we look at our cross-border business, whether that's issued or acquired, we also benefit from that diversity. And when it comes to inbound travel into the US, the US specifically actually is one of the smaller regions as measured by cross-border inbound travel volume, even though it does have strong yields. And so we just keep that in mind. We'll have to watch how the data comes in, but we have great diversification in our cross-border business, and we anticipate that we'll be able to navigate this period.

Jennifer Como

Next question.

Operator

Next, we'll go to the line of Sanjay Sakhrani from KBW. Please go ahead.

Sanjay Sakhrani

Thank you. Chris, just to follow up on your point just now on the corridors and the US one specifically. Obviously, we're hearing a lot of travel information, how things are falling off coming into the US, especially from Canada. Maybe you could just talk about what kind of assumptions you've made for the remainder of this year, because I know that has an impact on sort of the economic return from each of those corridors. So maybe you could just help us with that. And then just curious, inside of the volumes that you saw intra-quarter and even early in April, did you see any evidence of a pull-forward of spending? Thanks.

Ryan McInerney

Got it. Hi, Sanjay. A two-part question. Let me address actually the second one first, because that's a quicker one. There was some evidence of pull-forward. In certain categories, electronics is one of them, and it was mostly in sort of the first part of April, and we shared with you the data through the 21st. And actually, while I'm speaking about April, I just saw the data through the 28th just this morning, and that's relatively unchanged as well. And so there's no meaningful differences even as we get further into April. And so from a pull-forward standpoint, we may have seen a little bit in the first part of April, but all -- by and large, not a meaningful impact to our total growth. And then going back to cross-border assumptions, so I shared a number of them, and I went through in my prepared comments, a number of the items that impacted the cross-border numbers in the month of March. And as it pertained also to the month of April, Ramadan and Easter were two that had timing differences that impacted March and April. But then I spoke to two other factors. One, a broader category around currency weaknesses, and currency weaknesses have an impact on purchasing power, obviously abroad. We had the US dollar weakening, but we also had currency weaknesses in LAC, in Mexico, in different countries throughout Asia. And so that's also impacting the results that we saw in March and April. And then the last one, of course, is Canada. And I referenced it on the call, I could give a little bit more color. I mean, we did see a meaningful slowdown in the Canada to US border. But again, keep in mind the diversification of our business. And so the fact that, as I just mentioned in the last question, the fact that the US is one of the smaller regions as measured by cross-border travel inbound volumes. And so when you add that up, it's really not a -- it's a very small percentage of our global travel volume, and the revenue impact shouldn't be meaningful. And so what we did in terms of assumptions is we took the average of March and April, which we think accounts for all of those items, and we extended that through the remainder of the fiscal year, and that would put cross-border at just below what we finished FY24 at in Q4.

Sanjay Sakhrani

Thank you.

Jennifer Como

Next question.

Operator

Next, we'll go to the line of Andrew Schmidt from Citi. Please go ahead.

Andrew Schmidt

Hi, Ryan. Hey, Chris. Thanks for taking the questions this evening. Maybe you can dig into value-added services. Good to see the robust growth there. Maybe you could just unpack that and just talk about your viewpoint and how that performs through the cycle. Obviously, there's a range of revenue models in their transaction-based, project-based, and recurring/subscription. But if you'd unpack, that would be great. And then any detail on how you're thinking about value-added services growth in the back-half would also be helpful. Thanks so much.

Ryan McInerney

Yes, why don't I just talk a little bit about the business, and then, Chris, I'll let you talk about some of the financial aspects of the question, both in terms of what drove the strong performance in the quarter and also where things are headed. Yeah, we just -- we feel really good about the strategy, our execution, our products. I highlighted some really exciting new products in my prepared remarks. And I was just going to go back to some of the things we shared with you at Investor Day about our execution approach. We're -- we've got -- you asked a little bit about some of the business drivers of what happens there. And we've said about 65% of our revenue is really about enhancing Visa payments. But we've been really making a lot of progress on the incremental opportunities to enable all different types of payments, not just Visa payments, and the services that then go beyond payments. If I kind of go back to an example in my prepared remarks, I talked about the authorized.net platform that we've relaunched and we're relaunching. That's a great example of enabling all different types of payments. And that's going to be, we think, a really positive impact in the market, specifically focused on growing our share in small-business checkout. And you go back to what I mentioned in terms of our unified checkout experience that will impact all different sizes of sellers on our platforms. Those are two examples, obviously, in the acceptance business. But if you go back to our Issuing Solutions business, we're having great progress with Pismo and a lot of our other solutions there as well. Our risk and security solutions business, really excited about the progress in market we've made since we acquired Featurespace. And then in our advisory and other business, we've been having some really strong success as well. So thanks for that question. Chris, you want to hit a couple of the financial parts of it?

Chris Suh

Sure. I'll just add on top of that. I think, Andrew, I think the heart of your question is how -- in addition, obviously, Ryan covered all the sort of the highlights of the business performance, I won't reiterate those. But I think part of your question was what could potentially happen to VAS in different sorts of cycles. And the way that I would think about it, the way we think about it is obviously, a lot could happen. We're monitoring that sort of the macro situation, we were not economic forecasters. But the thing I'll say about our business, I made the point about diversity previously, what does that mean with a little bit more color? We have, for example, our business today, if I compare it to previous economic cycles, we have more exposure to everyday spending. We have a bigger debit business. We have more e-commerce spend. We're more diverse geographically. And so you got to think about sort of how the business might get impacted today, and it might be different from previous cycles, and we do have greater diversification broadly. And then, as it comes to that, specifically, as Ryan said, there is a 65% of the business has a close correlation to Visa transactions. And so that part, depending on how the business would respond, could have a closer relationship, but there's a great diversification there as well, as we have a good portion of the VAS business that is independent of Visa transactions. And so when I think about that in total, I think there is a good resilience and diversification there as well.

Jennifer Como

Next question.

Operator

Next, we'll go to the line of Will Nance from Goldman Sachs. Please go ahead.

Will Nance

Hey, guys. I appreciate you taking the question. Chris, I was wondering if you could double-click again on some of the comments you shared around the incentives outlook. I think you've been talking about a pretty front-loaded renewal schedule. I thought -- I heard, but correct me if I'm wrong, the outlook is for modest increases in the growth rate over the next two quarters, but I may have misheard that. But if that was the case, could you just talk through cadence and some of the drivers, kind of help square that with the front-loaded renewals? Appreciate it. Thank you.

Chris Suh

Sure, Will. Thanks for the question. You did hear correctly, and let me try to add a little bit of color and clarify. Q2 incentives grew 15%, came in lower than we had anticipated, primarily due to factors related to deal timing. I covered that on the call. In terms of what we expect for the full year and into the second half of the year, we've updated the expectation that in the back half of the year, our growth will be slightly higher than originally expected due to two factors that we called out. One is client-related performance adjustments, and the second is deal timing, which means specifically anticipated early renewals. And so when we reforecast the second-half of the year, we do expect the second-half to grow higher than the first-half of the year, and we do expect that sequentially to be Q3 a little higher than Q2, and Q4 to be a little higher than Q3. And then maybe the final thing I'll say is, when we look at the volume -- payment volume that was impacted by renewals, we still believe that we have the same expectation that we started the year, which is 20% of the payment volumes being impacted.

Jennifer Como

Next question.

Operator

Next, we'll go to the line of Timothy Chiodo from UBS. Please go ahead.

Timothy Chiodo

Great. Thank you. Chris, I want to dig in a little bit more on the delta between nominal cross-border volumes and nominal international revenue. I think you did a great job going through the items. But to recap, there's the FX volatility. There's the quarter and client mix, there is a pricing aspect. And then, of course, there's the hedging, which impacts the revenue, but not the volumes. I think you touched on the FX volatility, meaning not assuming in the guide that the high levels will persist, which is a good conservative approach. You talked around quarter mix and the yields being higher for US inbound. The one I was hoping you could drill in a little bit more is pricing, because I know previously the guidance talked a little bit about pricing being a second-half of the fiscal year event. So, whether it'd be specific to cross-border or for the whole business, maybe you could just touch a little bit on that pricing topic.

Chris Suh

Sure. Hi, Tim. Yes, let me parse those apart a little bit. You covered my points on international transaction revenue. As you pointed out, we grew 10%, which was in line with the nominal volume growth, but below the 13% constant-currency, that's the impact of FX. And I covered a number of items that impacted that, in addition to FX, higher volatility, and some offsets there that you mentioned. Happy to give you more color on those. But let me hit to your second point, which is our expectations on the full-year on pricing. Just to remind everyone, at the start of the year, we said we would anticipate that the pricing contribution to growth in the full year would be similar to the previous year, but the timing would be a little bit different, where we'd have more back-end loaded pricing. That's still our expectation. We don't have a different view. We do believe that pricing will benefit in the second half more than it did in the first half of this year.

Jennifer Como

Next question.

Operator

Next, we'll go to the line of Darrin Peller from Wolfe Research. Please go ahead.

Darrin Peller

Hey, guys. Thanks. If you don't mind just going a little deeper into the FX vol offset by what you just said, customer mix, and hedging. I guess it's just if you can explain a little more. I know the -- that corridor and mix on corridor could be a factor. As you said, US volume inbound could have a higher yield, but we haven't necessarily heard you call out hedging much before in the business, and would assume that FX vol benefits would have been more of an offset. So maybe just explain a little more of the hedging or the mix dynamic, and what exactly happened? And then just a quick add-on would be de minimis, and whether or not from an e-com standpoint, cross-border e-com is something that you're factoring or thinking about having any way to think about how to factor that into the model going forward?

Chris Suh

Got it. I got both those questions, Darrin. So let me give a little bit more color. Again, just to give -- dimensionalize again, the 10% growth in transaction revenue, which is in line with the nominal growth. And so that 3 point delta, you could think the big portion of that is FX. And then to your point, higher volatility, which we said in April was a -- with higher in Q2 and throughout April. The two items, which I could give a little bit more color on. I called out client mix and hedging. So client mix, we obviously have different clients throughout the portfolio there and different clients have different pricing and different yield dynamics. And so it really depends on specific client performance and which clients are growing and where, and that could have an impact on our revenue yield. And in this case, it was a bit of a drag against the -- against relative to the 13% constant currency volume growth. And then on hedging, we hedge a portion of our cash flow exposures. This quarter, we did have a gain in Q2. We had a year-over-year gain related to that hedging, but it was lower than the gain that we recognized a year ago in Q2. And so that became -- even though there was a gain, it was a drag, again it was a reconciling item between the two, the 13% and the 10%. So those are the two items that primarily offset the higher volatility that we recognized in international transaction revenue. And then your second question, Darrin, on de minimis, if we look at -- if we look at sort of the whole situation with China, so far, we're not seeing a material impact from tariffs related to China and specifically spend associated with the de minimis exemption, it's just not a material portion of our volumes and we wouldn't expect any material impact.

Jennifer Como

Next question.

Operator

Next, we'll go to the line of Jason Kupferberg from Bank of America Please go ahead.

Jason Kupferberg

Thank you, guys. Wanted to ask about US volume growth. I know we went from 6% in the March quarter to 8% month-to-date. So I'm just curious if you normalize for effects of Easter, and I know, Chris, you mentioned a little bit of pull-forward to spend ahead of the tariffs. Should we be just assuming some moderation off the April levels of 8%, given those factors? Just want to make sure we've got the modeling square there, so we don't over extrapolate from a few weeks of data. Thanks.

Chris Suh

Yes. Good question, Jason. It's -- the overall environment, I'll go back to some of the comments Ryan made, the overall comment, the overall environment remains stable, healthy, and steady. Whenever we give the month-to-date data, I always disclaim it by saying two or three weeks, or three weeks in this case, don't make a trend. We'll have to see how the rest of the quarter plays out. The 8% in the month-to-date does reflect some benefits from the timing of Easter. I called that out earlier in the comments. We'll have to see how the quarter comes together. But I think the overall message that I would convey is that it's stable and the consumer remains resilient, and I wouldn't read too much into the six versus eight at this point.

Jennifer Como

Next question.

Operator

Next, we'll go to the line of Bryan Keane from Deutsche Bank. Please go ahead.

Bryan Keane

Hi, guys. Thanks for taking the question. Just want to ask about the entertainment weakness where you saw that exactly, and do you expect that to continue going forward? And was just thinking about the different affluent group, maybe growing faster versus other bands, and just the outlook there. Thanks.

Chris Suh

Yes. A couple of things I'd point to. One is, trends sort of triangulating around the data. The most important thing I think to keep in mind is that when we see -- when we talked about discretionary versus non-discretionary, they were both quite strong and healthy relative to the previous quarter. And so within that, we did have some puts and takes. I mentioned some travel and entertainment, but also offset by retail goods, as an example. And so there are puts and takes, there are some moving parts within that, but overall, healthy stable volumes, whether it's discretionary or non-discretionary. And as Ryan pointed out, even as we look across spend bands, the consistency of the performance in previous quarters, while obviously, higher spend bands are growing faster than they have been for several quarters, the quarter-on-quarter performance remains stable and consistent.

Jennifer Como

Next question.

Operator

Next, we'll go to the line of Dan Perlin from RBC Capital Markets. Please go ahead.

Daniel Perlin

Thanks. Just given the geopolitical backdrop, I'm just wondering, Ryan, if it changes in any way your views of how you're placing like your investment bets? I mean, not the long-term ones, but maybe more near-term. So, like risk-on your payback periods, specific geos that maybe you were thinking were kind of more short-duration in nature, but now you want to throttle back or even M&A opportunities that you might see that potentially could be created in this backdrop. Thank you.

Ryan McInerney

Yes, Dan, maybe I'll back up one step and just kind of talk about the macro-environment a little bit and then and then kind of zone in what you're saying. I mean, there's obviously more uncertainty today among consumers and businesses than there was several months ago. You see that in the consumer confidence metrics, it's not surprising. But I think what you've heard from us in our prepared remarks today and from the many questions that Chris has answered. If you look at the facts in what we can add to the conversation in terms of spending, it remains strong and resilient. You add to that just looking in the US, employment remains strong, wage growth remains steady, inflation has moderated, consumer balance sheets remain relatively healthy. So we're kind of balancing the uncertainty that we all have with the facts. And the facts show a lot of resiliency in what we're seeing. And so when we look at all of that, we remain very committed to our product roadmap, our investment roadmap. We are as confident today as we've ever been in the opportunities that we're going after across all three of our growth levers and consumer payments, value-added services, and commercial and money movement solutions. But as I mentioned on the call, we're constantly looking at scenarios. We are very kind of dialed into what could happen. And if and when we see facts that lead to changes, we'll be ready to make changes in our investment profile and our product pipeline. And then you mentioned M&A. I think if anything, from the position of strength that we operate, I'm optimistic that the current situation, as I described, it could create more opportunities for us around the world than might otherwise have happened. But we'll obviously have to just wait and see how that all plays out.

Jennifer Como

Next question.

Operator

Next, we'll go to the line of Adam Frisch from Evercore ISI. Please go ahead.

Adam Frisch

Hey, thanks for squeezing me in. My extrapolation of your guidance is, if there's a little bit of weakness, kind of just more related to cyclicality as opposed to anything more crazy, you guys can absorb that, correct me if I'm wrong on that assumption. But if macro conditions shift materially and much more quickly than expected, can you remind us where your key levers are in terms of revenue like pricing or cost management in terms of marketing and stuff that would allow you to keep pace with the rate of change if it were to be faster and protect your margins? Thanks.

Ryan McInerney

Yes. Hi, Adam. I touched on some of these points a little bit ago, but let me just expand on them because I think it's sort of an interesting way to think about it. Obviously, every recession is different. But over the course of time and over history, Visa has proven to be quite resilient even during these economic downturns. We don't know what's going to happen. We're not economic forecasters. But the management team here is ready to move decisively should the need arise. Now our business is resilient. I talked about the diversification of the business, more exposure to everyday spend, more exposure to debit, even our cross-border volume is more e-commerce today than travel than it was, if I think about pre-COVID levels. And so that diversification helps us. And so if there was a downturn, I think our performance during this potential economic slowdown we would be resilient, and it can impact our business. If you think about it, between volumes and revenue, volumes historically grown faster than PC. Even if PC slows, we're confident that we can continue to grow faster than that for all the reasons I spoke about. And then the one other thing I'd add is on the revenue front, remember that incentives are largely variable. And so to the extent that volume growth does get impacted, there could be an offset on incentives. On the expense side, I think we've also historically shown we could flex our expenses. We could make -- we obviously want to balance between short and near-term and long-term priorities. We don't want to overreact to anything. We want to be thoughtful about making sure that we're investing in the right areas to ensure that Visa is successful over the long term, but we do have levers, and this is a management team that stands ready to act.

Jennifer Como

Next question.

Operator

Next, we'll go to the line of Ramsey El-Assal from Barclays. Please go ahead.

Ramsey El-Assal

Hi. Thanks for taking my question. Stablecoin seem to be having their moment, maybe helped along by clear regulations. I know you called out your strategy there, including this -- reaching $200 million of settlement flows. What are your latest thoughts on the demand for those stablecoin settlements or other stablecoin payments? Are you seeing or expecting an inflection? What are your clients saying? Thanks.

Ryan McInerney

It's still early, but we do see real potential, which is why we've been investing in the crypto space broadly in the stablecoin space specifically for many years now. We've built up a team of real experts that I think are very well-respected among the ecosystem. But it's early. On the one hand, $200 million is a great kind of milestone. On the other hand, it's still a relatively very small portion of our overall settlement volume. I guess I'd say a couple of things. One is, we are optimistic about the kind of the US government passing more clear and pragmatic regulations. I think not just in the US, but hopefully other countries as well. We are continuing to push forward with the settlement work that you mentioned, but we're also exploring an kind of a broader set of product opportunities and partnerships in the stablecoin space. I might use that as a little bit of a pitch to join our product drop tomorrow, which I mentioned in my prepared remarks, but our team will talk about some of those things as well. So as you said, there's a lot of activity and discussion about the stablecoin space right now. I think the tipping point will be more clear and pragmatic regulations. But I do think in the big scheme of things, certainly as it relates to our broader business, it's still very early in the development.

Jennifer Como

Last question, please.

Operator

And for our last question, we'll go to the line of Harshita Rawat from Bernstein. Please go ahead.

Harshita Rawat

Good afternoon. Ryan, Visa has managed government nationalism risk for decades as a company. How do you think about navigating that risk in the current environment, being a US-based company operating globally during trade disputes? Thank you.

Ryan McInerney

Thanks. If I heard your question right, around how are we navigating all of this? We regularly engage with governments and regulators in every country where we operate. We have a like a world-class government engagement team in all of our regions and all of our major countries, but it's also our country managers, day-in and day-out, they are deeply engaged with the governments and the countries in which we operate because we are an extraordinarily important partner and company in every country we operate around the world. And our engagement now is -- it's important. It's as important as it's ever been, given the challenging and uncertain environment that you mentioned. What I would say is nationalism is nothing new. As long as we are permitted to operate in a country or territory, even if it's been more difficult for us to operate there than it has historically, we have a proven track record of being successful. We're used to operating in highly regulated markets and environments around the world. We've got tailored strategies, which we've tested in other markets with similar conditions, and we tailor those to the unique needs of our clients and our partners in every one of these markets. And we're working with our clients and partners to regularly educate the government and the regulators and the elected officials in those countries about not just what matters most kind of domestically in their market, but the complexities of the global payments market and what we need to be doing together to help them in their markets. So it is as complicated as I remember it, but we have the experience, the people, the products and services to put to work in these countries around the world, and we feel good about our ability to navigate it.

Jennifer Como

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

Operator

Thank you all for participating in Visa's Fiscal Second Quarter 2025 Earnings Conference Call. That concludes today's conference. You may disconnect at this time, and please enjoy the rest of your day.