V Earnings Call – FY2024 Q1

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Operator

Welcome to Visa's Fiscal First Quarter 2024 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

Good afternoon, everyone, and welcome to Visa's Fiscal First Quarter 2024 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. For non-GAAP financial information disclosed in this call, 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

Hi, everyone. Good afternoon and thank you for joining us. We are off to a solid start in 2024. Consumer spending remained resilient with first-quarter year-over-year payments volume growth at 8%. U.S. payments volume grew 5% year-over-year. International payments volume grew 11%. Cross-border volume excluding intra-Europe rose 16% year-over-year in constant dollars with cross-border travel at 142% of 2019 levels, up from 139% in the fourth quarter. Processed transactions rose 9%. Our net revenues increased 9% with GAAP EPS up 20% and non-GAAP EPS up 11%. As I reflect on the execution of our strategy this quarter across consumer payments, new flows and value-added services, I wanted to highlight a few key themes. One, we remain obsessed about serving our customers including traditional bank partners, neobanks, fintechs, wallets, sellers, acquirers and everyone else. Our focus on clients has enabled us to deepen our relationships with partners across all three pillars of our strategy. Two, we continue to seek new partnerships, new use cases and new verticals to drive our business forward with a particular emphasis on cross-border. Three, we have gone to market with innovative solutions across our network of networks, seeking to add value for all transactions, no matter the network. And four, we are always looking for new and innovative ways to amplify our brand in service of our partners. With those themes in mind, let me provide some more details on the quarter. Let's start with consumer payments. We saw continued growth in credentials, acceptance and engagement. Credentials grew 6% and we now have more than 8.7 billion network tokens, up 55%. Acceptance locations grew 17%. And let me highlight two recent examples of where we have expanded acceptance. The first was in Brazil with Caixa for cash conversion at their over 10,000 lottery branches. They are now accepting Visa credit and debit cards to pay for utilities, tax collection, lotteries and voucher payments which are called boletos. Another example was in Asia-Pacific where we signed an agreement with Bcash, the largest mobile financial services player in Bangladesh. Already a client with Visa Direct, they now have enabled Visa's 15 million plus cardholders in the country to use their in-app QR code to pay at more than 550,000 Bcash merchants. These examples demonstrate our local approach to expanding our global acceptance footprint. Tap to pay grew five percentage points from last year to 77% of face-to-face transactions globally, excluding the U.S. In the U.S., we reached 45% penetration. One highlight from the first-quarter is that Lowe's has enabled tap to pay acceptance. We believe the tapping provides the best buyer and seller experience in the face-to-face environment and we've seen that play-out in the results. In a recent Visa study in the U.S., we saw on average two more transactions a month and spend lift of $70 a month for those who tap with a Visa debit card versus those who don't tap. Now on to some noteworthy updates from the quarter, which demonstrate our ability to deepen and expand partnerships as well as create new ones. In Europe, we renewed our agreement with isbank, the largest private bank in Turkey with 33 million cards for its consumer and commercial credit and debit portfolios. As part of that renewal, they will be issuing the first Olympic and Paralympic Games credit card in Europe outside of France, leveraging our sponsorship. In Poland, we signed a new issuing agreement with PKO Bank Polski, the largest issuer and acquirer in Poland and Central Eastern Europe for consumer and commercial debit. In Greece, we expanded our partnership with Piraeus Bank, the largest bank in the country to become their exclusive payment network across their consumer and commercial credit and debit portfolios. These are all fantastic examples of the attractive position and strong pipeline in Continental Europe I spoke about last quarter. In Japan, we expanded our credit issuance partnership with e-Pass, one of the fastest-growing issuers in the country, affiliated with department store Marui. They will use Visa Managed Services, which is a part of our advisory solutions where we embed Visa employees within a client organization to help execute against key initiatives. In Korea, we renewed and expanded our partnership with Shinhan Card, the largest issuer in the country for a consumer and commercial credit and debit. Shinhan has also committed to utilizing a suite of Visa's value-added services, including consulting and marketing to advance their business. In Mexico, we renewed our agreement with BBVA across consumer and commercial credit and debit along with value-added services, including risk, advisory and data tools. And last, in the U.S., we extended our agreement with Bank of America for multiple value-added services, including visas loyalty platform service, CardinalCommerce 3D secure service, Verifi Order Insight digital service and DPS debit processing. We also continue to be a partner of choice for fintechs around the world. First, in the U.S., we renewed with leading fintech chime, further debit and credit builder secured card portfolios as well as for Visa Direct. In Latin-America, we renewed our debit and credit contracts with Rappi, one of the largest fintech and merchant clients in the region with more than 30 million customers. They will also utilize numerous value-added services, including CyberSource and Decision Manager. And finally, we are excited about a new global partnership with HSBC for their fintech initiative Zing. Starting with the U.K., we are supporting the ambition to launch this multi-currency proposition in more than 30 markets. Visa's capabilities through Tink, currency cloud and our consumer payment solutions offer a powerful customer proposition and rapid deployment for Zing and HSBC. Through these renewals and new partnerships, you can see how we are focused on building a deep relationship across all the capabilities Visa offers. Now moving to new flows. We have updated our sizing of the new flows opportunity using the latest market data available. Excluding Russia and China, we see $200 trillion of opportunity annually across B2B, B2C, P2P and G2C, certainly an enormous number. We are working with our clients to deliver Visa's commercial and money movement solutions to help digitize these flows on our network of networks. Starting with Visa Direct. Total transactions this quarter grew 20% to $2.2 billion. And on the P2P cross-border front, transactions grew more than 65% year-over-year. In terms of client highlights for this quarter, we have been developing partnerships for new use cases in verticals and we are continuing to drive cross-border volumes. First, in new use cases, in addition to our existing P2P partnership in the U.S., we have expanded our Visa Direct relationship with Meta, launching the ability for content creators on Meta's family of apps to cash out their earnings to a debit card. This launch, now live in the U.S., U.K., France and Italy, allows for creators to receive their payout quickly and safely. Second, on cross-border volumes, we have continued to make progress in enabling global money movement across our 8.5 billion endpoints in nearly 200 countries and territories. Western Union is a great example. We just signed a long-term global partnership agreement with Western Union covering issuance, Visa Direct and other services across 40 countries in five regions. This long-term collaboration will bring product innovations and digital-first customer experiences to enhance cross-border money movement. We also expanded our relationship with Remitly to enable customers from 30 countries to send cross-border payments to eligible debit cards and bank accounts in over 100 countries globally. In Canada, we recently announced our agreement with CIBC and Simplii to provide millions of clients the ability to send money to digital wallets in key remittance destinations including the Philippines, China and Bangladesh. On to the commercial side, total payments volume grew 8% in constant dollars. And throughout the quarter, we continued to focus on new verticals. Let me highlight a few specific areas. First, in the cross-border travel vertical, we recently expanded our agreement with Singapore based B2B platform Nium. Their virtual card B2B travel program will expand from the U.S. and Europe into Australia, Singapore, Hong-Kong and Japan. Also in B2B travel, we signed a new virtual card agreement with Worldline, a leading global payment provider for travel intermediaries to pay their suppliers more quickly. In the contractor vertical, we recently signed an agreement with United Overseas Bank and Doxa, a Singapore fintech for contractors. In partnership with Visa, the Doxa platform has further been enhanced to provide embedded financing capabilities. Subcontractors will be given the option to be paid for their services through UOB virtual cards. And also with UOB, we renewed and expanded our commercial relationship across commercial debit and credit including the enablement of payment flows for the Singapore government. Let me move on to value-added services. Our network of networks strategy is also playing a key role in value-added services. As a reminder, this has three components. One, moving money to all end-points and to all form factors. Two, using all available networks and being a single connection point for our partners. And three, providing our value-added services on all transactions, no matter the network. We have continued to develop and expand our value-added services as part of this strategy. Let me cover three recent examples. Processing capabilities for RTP networks, Pismo and Prosa. Last quarter, I noted that Visa is becoming a certified service provider for FedNow, enabling financial institutions to receive funds through the FedNow service. We have now enabled the ability to also send funds. The second example is Pismo, which we just closed last week. As I talk to clients around the world, particularly issuing clients, there are two priorities that are increasingly on the minds of CEOs. The first is for many of our issuing clients, they've either recently embarked on or they're considering embarking on a transformation of their tech-stack from their legacy infrastructure to cloud-native API-based tech stacks. The second is that many clients, whether they'd be traditional issuers or fintechs, are increasingly looking to rapidly expand their issuance to new regions and countries, especially the more developing markets around the world. Our clients are looking to Visa to help them with both of these priorities. And with Pismo, we will be able to deliver to our clients the best cloud-native issuer processor in core banking platform in the world. Pismo offers global core banking and multi-product issuer processing covering credit, debit and commercial with connectivity to local payment networks such as Pix. Our goal is for Pismo to be the platform of choice for our issuing partners around the world, enabling them to accelerate their global expansion and transition to cloud-native platforms. And the third example of our network of networks is our announcement to acquire a majority interest in Prosa, a payments processor in Mexico. A couple things about the Mexican market. One, cash and check represent more than 50% of personal consumption expenditures. And two, today Visa has limited ability to process domestically. We believe we can bring enhanced technology infrastructure and lay the groundwork to develop new innovative ways for consumers, small businesses and local issuers and acquirers in Mexico to pay and be paid. This includes improving safety, security and reliability and providing better experiences through our value-added services such as tokenization, risk products and more. We can also bring our innovation and commitment to continued investment for both face-to-face and online transactions. Together, these efforts will help further digitize payments in the country. The investment is subject to regulatory review and we hope to close in the second-half of calendar year 2024. And finally, I want to highlight the opportunities to drive further growth in value-added services via the development of new partnerships. These enable us to enhance our overall offering and distribution reach. Yesterday, we announced an agreement with digital workflow leader ServiceNow to build solutions and distribute Visa's products and solutions to joint customers. To start, ServiceNow will launch in end-to-end disputes management solution for issuers with plans to expand to additional segments and products over-time. This partnership showcases the demand for our value-added services and provides a compelling distribution channel to reach more customers around the globe. So, across consumer payments, new flows and value-added services, you can see the enormous opportunity as well as Visa strong relationships, commitments to our clients and innovation in new ways to pay and be paid. What helps to amplify all of these efforts is our brand. We recently renewed our long-standing partnership with FIFA, creating a powerful opportunity to drive business for both Visa and our clients, improve brand lift and maximize global reach. Not to mention, providing an opportunity to showcase and implement Visa's innovative payment technology. We're also launching our first new global sports sponsorship in more than 15 years with the Red Bull Formula One teams. The partnership aligns our brand with two teams within Formula One which is one of the fastest-growing sports on the planet, providing another opportunity to drive business for our clients. As we look ahead this year, we're excited to be activating our brand with our clients across all of these partnerships as well as the Olympic and Paralympic games in Paris. Before I hand it over to Chris, I wanted to mention that we hold our Annual Meeting on Tuesday. All of the proposals that the Board recommended past including the exchange offer program proposal. As such, we will be moving promptly to file an S-4 with the SEC relating to the initial exchange offer. I also wanted to give a special thanks to my colleague, partner and friend, Alf Kelly, as Tuesday he officially retired as Executive Chairman. Alf, on behalf of the entire Visa family, thank you for your exceptional leadership. You led this business to incredible heights, while also driving innovation, deepening our client relationships and strengthening our culture in so many ways. Your impact on Visa will be visible for generations. In closing, in the first-quarter, Visa once again demonstrated the effective execution of our strategy across the globe. While uncertainty seems to be the norm, Visa has the experience and discipline to manage through the challenging environments and I remain optimistic and confident about our future. Now over to Chris.

Chris Suh

Thanks, Ryan. Good afternoon, everyone. As Ryan said, Q1 was a solid quarter with relative stable-growth in overall payments volume and processed transactions and strong growth in cross-border volume. Looking at our drivers, in constant dollars, global payments volume was up 8% year-over-year and processed transactions grew 9% year-over-year. Cross-border volume growth excluding intra-Europe was up 16% year-over-year in constant dollars. Fiscal first-quarter net revenues were up 9% in nominal and constant dollars, which was on the high-end of our expectations, primarily due to lower-than-expected incentives and less FX drag. GAAP EPS was up 20% and non-GAAP EPS was up 11% in nominal and 10% in constant dollars. Now on to the details, starting with the U.S. U.S. payment volumes grew 5% year-over-year, credit grew 6% and debit grew 5%. Card-present spend grew 3% and card not present volume grew 7%. As we look at the monthly total U.S. payments volume growth rates throughout the quarter, we saw low in October and a peak in November with December in between. Putting it all together, the step-down of about 80 basis-points in total US payments volume growth from Q4 to Q1 was primarily due to a less favorable mix of weekends and weekdays compared to last year and a combination of a few small items, including a softer October and modest impact from Reg II. Consumer spend across all segments from low to high spend has remained relatively stable. Our data does not indicate any meaningful behavior change across consumer segments. Moving to holiday spend, which is the period from November 1 to December 31. In the US, consumer holiday spend growth was in the mid-single-digits on a year-over-year basis. Consumer retail spending growth was similar to last year. However, retail spending growth on key shopping days from Thanksgiving to Cyber Monday was much stronger. E-commerce increased its share of retail spending versus last year. Moving to international markets, where total payments volume growth was up 11% in constant dollars, stable to Q4. Payments' volume growth rates were strong for the quarter in most major regions of Latin-America, CEMEA and Europe ex-U.K. each growing about 20% in constant dollars. Now on to cross-border, which I'll speak to in constant dollars and excluding intra-Europe transactions. Total cross-border volume was up 16% year-over-year. Cross-border card-not-present volume growth excluding travel grew slightly faster-than-expected in the low-teens adjusted for cryptocurrency purchases. Cross-border travel-related spend grew 19% year-over-year. The cross-border travel volume index to 2019 increased from 139% in Q4 to 142% in Q1. Travel volume into Asia indexed at 132% of 2019 levels for the quarter, up three points from Q4, while travel volume out of Asia was up four points to 118%. This was lower than last quarter's expansion, primarily due to relative weakness in Australia and Japan. Travel in and out of Mainland China continued to improve, but both remain below 2019 levels. U.S. travel inbound continued to improve several points from Q4 versus 2019 levels. And we continued to see healthy travel volumes in and out of LAC, Europe and CEMEA and out-of-the US, ranging from 145% to 170% of 2019 levels. Now let's review our first-quarter financial results, starting with the revenue components. First, as any new pricing usually goes into effect in April and October, this quarter, each of our revenue components benefited as a result and the growth rates were either further enhanced or offset by the additional factors as follows. Service revenues grew 11% year-over-year versus the 9% growth in Q4 constant dollar payments volume with some additional help from card benefits. Data processing revenues grew 14% versus 9% processed transaction growth, helped by business mix and value-added services. International transaction revenues were up 8% versus the 16% increase in constant dollar cross-border volume, excluding intra-Europe, impacted by lapping strong currency volatility from last year. Other revenues grew 18% with strong consulting revenue growth, but impacted by lapping 31% growth from 2023, primarily from FIFA related value-added services revenue. Client incentives grew 20%, but ended-up lower-than-expected due to client performance and deal timing. Across our three growth engines, consumer payments growth was driven by relative stability in payments volume growth and processed transactions as well as strong growth in cross-border volume. This quarter, in new flows, the underlying drivers remained relatively stable. Commercial volumes rose 8% year-over-year in constant dollars and Visa Direct transactions grew 20%. Total new flows revenue grew in the low-single-digits year-over-year in constant dollars due to several one-time items and business mix impact. As you know, for any given period, there can be puts and takes, but most importantly drivers are stable and we continue to expect full-year 2024 new flows revenue to grow faster than consumer payments revenue. In Q1, value-added services revenue grew 20% in constant dollars to $2.1 billion with strength and issuing and acceptance solutions. GAAP operating expenses declined 6%. The decrease in expenses was driven by a decrease in the litigation provision, somewhat offset by an increase in personnel expenses. Non-GAAP operating expenses grew 7%, primarily due to an increase in personnel expenses. Excluding net gains from our equity investments of $4 million, non-GAAP non-operating income was $84 million. Our GAAP tax-rate was 19.1% and our non-GAAP was 19%, helped by larger-than-expected tax benefits. GAAP EPS was $2.39; non-GAAP EPS was $2.41, up 11% over last year, inclusive of an approximately 0.5 point benefit from exchange rates. In Q1, we bought back approximately $3.4 billion in stock and distributed over $1 billion in dividends to our stockholders. At the end of December, we had $26.4 billion remaining in our buyback authorization. Now let's move to what we've seen so far in January through to the 21st. U.S. payment volume was up 4% with debit up 3% and credit up 4% year-over-year, down from December, largely due to severe weather conditions in parts of the U.S. Process transactions grew 8% year-over-year. Constant dollar cross-border volume, excluding transactions within Europe, grew 16% year-over-year. Travel-related cross-border volume, excluding intra-Europe, grew 16% year-over-year or 146% indexed to 2019; and cross-border card-not-present ex travel grew 16%. Now on to our expectations. Remember that adjusted basis is defined as non-GAAP results in constant dollar and excluding acquisition impacts. You can review these disclosures in our earnings presentation for more detail. For the full year, we have no material changes to our prior outlook for drivers, adjusted net revenues or EPS growth. Remember that our drivers assume no recession or a further increase in Reg II impacts. Pismo is expected to have minimal benefit to full year net revenue growth and an approximately 0.5 point headwind to non-GAAP operating expense and EPS growth. FX is expected to have an approximately 0.5 point drag to net revenues growth and approximately 1 point benefit to non-GAAP operating expense growth and a minimal drag to non-GAAP EPS growth. Non-GAAP non-operating income is expected to be between $350 million and $400 million, with nearly half in Q2 due to the resolution of some non-U.S. tax matters. Putting it all together, adjusted net revenues growth is unchanged at low-double-digits, adjusted operating expense growth is updated to low double digits, and adjusted EPS growth is unchanged at low-teens. For the second quarter, similar to the full-year, Pismo is expected to have a minimal benefit to net revenues growth and an approximately 0.5 point headwind to non-GAAP operating expense and EPS growth. FX is expected to have minimal drag to net revenues growth and an approximately 0.5 point benefit to non-GAAP operating expense growth and minimal benefit to non-GAAP EPS growth. We expect adjusted net revenues growth in the upper mid to high-single-digits and adjusted operating expense growth in the low-double-digits, north of 10%. Nonoperating income is expected to be highest in Q2 due to the resolution of some tax matters, as I noted earlier. As such, the tax rate is expected to be between 16% and 16.5% in Q2 with the full-year unchanged. This puts second quarter adjusted EPS growth in the high-teens. In summary, we're off to a solid start in the first quarter. The fundamental drivers remain relatively stable, and with no material changes to our full year guidance, we remain focused on the execution of our growth strategy for the rest of 2024. As always, if the environment changes and there's an event that impacts our business, we will, of course, adjust our spending plans. We remain thoughtful on balancing between short- and long-term considerations. And now Jennifer, let's go to 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 with JPMorgan. Your line is open.

Tien-Tsin Huang

Hey, thanks so much. Just want a clarification and a bigger question here. Just on the clarification, the new flows up low single digits versus mid-teens last quarter. How did that come in versus plan? Were there some onetime issues? Because it sounds like the other metrics were in line. And then my question was just on U.S. volume running in the mid-single-digits here, it's pretty tight to PCE. I know there are a lot of factors like gas and e-com and Reg II, but just can you clarify your view on U.S. volume here in relation to PCE growth in the short to mid-term? Thank you.

Ryan McInerney

Tien-Tsin, it's Ryan. Why don't I start on the second part of your question and then Chris can answer the first part and add or correct any on the second part. I think let's back way up for a second in the U.S. U.S. remains a significant opportunity for us in consumer payments. I mean, there's still a lot of cash, a lot of checks, a lot of ACH. We're having great work with fintechs and banks to bring more people in on the carded front. We're doing work to expand acceptance, the service industry, whether it's plumbers or contractors, charities, vending, parking, tap to pay. I mean, we continue to be very, very excited about the U.S. market. I think as you said, and Chris can add some detail, in the quarter, there's some Visa-specific factors on the growth rate in the U.S. as it relates to PCE, like you were talking about. But as we look forward, it continues to be a big opportunity for us. We continue to be excited about it. Chris, do you want to take the first part of Tien-Tsin's question and add anything on the second?

Chris Suh

Sure. Yes, in new flows, so the underlying fundamentals of our commercial business remain sound. Commercial payment volumes grew 8% and Visa Direct transactions grew 20%. And importantly, the new flows business continues to be a growth engine for Visa. We do expect the full-year revenue growth to exceed consumer revenue growth. Now specific to your question around the first quarter, it was impacted by a couple of factors: first, the mix of business, with cross-border volume growth slowing in Q1 as travel continued to normalize; and second, the growth was also impacted by a few onetime items that happened to be larger than we might typically see in any given quarter. But all in all, we feel great about the business and the long-term growth trajectory ahead.

Tien-Tsin Huang

Cool, that's helpful. Thank you both.

Jennifer Como

Next question, Jordan.

Operator

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

Dan Perlin

Thanks. I just wanted to ask a question around the new partnerships within value-added services. Ryan, it sounds like, as part of the priorities, you want to get value-added services on all the networks. And I think you were alluding to the fact that this is going to be maybe a bigger shared responsibility with this partnership growth, and ServiceNow is obviously a great example. But I'm just trying to reconcile kind of how we should be thinking about Visa maybe opening up those opportunities with these two partnerships and what that may do at some point to the financial picture of the company? Thanks.

Ryan McInerney

Yes. Again, if I back up before I answer to the specific question about ServiceNow and partners, we're very excited about the progress that we've made on our value-added services strategy. We're excited about the momentum that we're seeing kind of in the market. We're excited to see our sales efforts really driving success and performance across issuing, acceptance, risk and identity, advisory and open banking. And it's exactly as you were saying with partners like ServiceNow. What we're finding is we can have great efforts selling to our partners directly around the world. But we're also getting a lot of demand from various different platforms that already have relationship with thousands or tens of thousands or, in some cases, more customers in any one country or region. And they're very excited to sell through our value-added services as a way of differentiating their platform and deepening relationships with their users and their customers. And so in the example of ServiceNow, they had been talking to their bank clients, and their bank clients had asked for and been interested in some of the dispute services that we provide. And so we're going to market first, as I said in my prepared remarks, with our dispute services via ServiceNow. We've got a pipeline of other products and services that we're working with them on. And we're deep in discussions with other platforms around the world about bringing our money movement solutions and our value-added services solutions as a way to differentiate their platform and add value to their users.

Jennifer Como

Next question, Jordan.

Operator

Our next question comes from Craig Maurer with FT Partners. Your line is open.

Jennifer Como

Craig, are you there?

Craig Maurer

Yes. Sorry, can you hear me?

Jennifer Como

We sure can.

Craig Maurer

Okay. Great. I wanted to ask if you can be a little bit more detailed in the comments around Reg II and how you're seeing volume move perhaps off your network. And second, if you can just add some detail around the onetime items that impacted Visa in the U.S. in the quarter, I'd appreciate it.

Ryan McInerney

So let me talk a little bit about the business aspect of Reg II, and then Chris, you can hit both of those specific questions, the Reg II and the onetime items. I think it's important at this point to just observe. We're 6 months in now since Reg II in the U.S. And we've had a chance to really engage with our clients and partners on the merchant side of what we do. And we're having really good discussions, really good dialogues. It's been a great opportunity for us to highlight our products, our services and especially the various different things that differentiate a Visa debit transaction from other alternatives. And to be honest, we're getting the chance to have conversations at more senior levels in the organization about the details of our products than we've ever had before, which is great. And so far, we're having great success. The sales conversations have been positive. The results client by client that we're finding as we're able to talk to them about the features and benefits of Visa Direct are great so far and feel really good about our results 6 months into this so far. So Chris, you want to hit the two pieces specifically?

Chris Suh

Yes, will do. So yes, on Reg II, so as we indicated, we did see some modest impact in the U.S. Payment volumes growth in the U.S. was down about 80 basis points from Q4 to Q1. And that slowdown was primarily due to a couple of things. One is the mix of spend days, but also there were a few smaller things, a softer October and the modest impact from Reg II that we're talking about. So a couple of things. It's important to note, we've actually not seen any meaningful changes to volumes being routed away since October. So all in all, the impact is modest, really hasn't changed over the past quarter, and that's actually what we have assumed and we shared for the rest of the year. Now to your second part of your question about one-time items, I talked a little bit about the things in the U.S., Reg II and the slow October. The other place where I talked about onetime items was in the new flows business. As I said, the revenue growth was impacted by a couple of things. One, I talked about the cross-border normalization as on travel. And then secondly, there were these one-time items, and I'll give you an example of one. In the normal course of our business, we regularly true up or true down our incentive and rebates with our clients based on their reported metrics. And in the first quarter, the net impact of these adjustments ended up being larger than we might typically see in a quarter. But all in all, it's not something that gives us concern. The underlying business fundamentals remain healthy. It doesn't change our expectations for full year growth for new flows revenue, which will continue to outpace consumer revenue.

Jennifer Como

Next question, Jordan.

Operator

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

Sanjay Sakhrani

Thanks, good evening. I guess just a question on the slower volumes year-to-date, on the severe weather. I'm just curious if there's been any softness beyond that. And then maybe, do you expect that spending to sort of reaccelerate because the weather has gotten better? Or maybe you can just speak about that a little bit.

Chris Suh

Yes. Thanks, Sanjay. Yes, we did see that growth slowdown in the first week of January. And we've looked really closely at it, and it's directly correlated to the extreme cold weather that's hit in many parts of the U.S. I'll give you a few examples. For anyone in Kansas City, they know this. We went from 45 degrees in the last week of December to negative 10 in the first few weeks of January. And so no one was out and about, and we saw growth in Kansas City go from mid-single digits growing to declining mid-single digits. To take another example, in San Diego, those that are lucky enough to be there, 60 degrees, and we've seen stable mid-single-digit volume growth into January. And maybe a third example that highlights the swings that we saw, in Dallas, it was nearly 60 in the first two weeks of January and then dropped to below 20 degrees in the third week, and we saw the exact same pattern following with our card-present volumes in that third week. And so to the second part of your question, the good news is we've seen these type of weather-related patterns before. They tend to be short blips, and over the course of the quarter, tend to get smoothed back out.

Jennifer Como

Next question, Jordan.

Operator

Our next question comes from Ken Suchoski with Autonomous Research. Your line is open.

Ken Suchoski

Hi, good afternoon. Thanks for taking the question. I wanted to ask about the EPS growth outlook. It looks like you're guiding to high-teens EPS growth in fiscal 2Q, which I think implies a mid-single-digit decline in the share count quarter-over-quarter. But I'm just trying to figure out why that doesn't flow through to the full year EPS growth figure where you're guiding it to low-teens growth. So if you can help us reconcile that, that would be great. Maybe there's some tax, certain OpEx impacts in the back half of the year that we're not accounting for.

Chris Suh

Yes. It is specific to Q2. I think I mentioned on the call, there were some tax matters that were resolved outside of the U.S. that brought our tax rate down in Q2 into the 16% range. That same matter also had some benefit that hit the NOI line, which also then helped the high-teens growth rate on EPS in Q2 specifically. For the full-year, it doesn't change the tax rate. It doesn't change our prior outlook for EPS growth.

Jennifer Como

Next question, Jordan.

Operator

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

Harshita Rawat

Good afternoon. I want to follow-up on services. Given how increasingly important these are to your revenue growth, can you give us some insights, quantification on the composition of your value-added services, DPS, CyberSource, risk, et cetera? And maybe also expand about the growth drivers here with regards to attach rates, processing penetration, geo expansion. They're growing almost 2 times faster than your card volumes' overall services, so we are trying to just have a clear guidance here.

Ryan McInerney

Yes, thank you. As I was saying earlier, I think the strategy is really firing on all cylinders. Our execution is firing on all cylinders. The client demand remains strong. The TAMs are large, as you were saying. Last year, we generated about $7 billion in revenue in the value-added services business. I think we said in the quarter, it was a little more than $2 billion and up 20% in constant dollars. Those are great results. To get in a little bit into the details of your question, I mean, we run these businesses segment by segment. In issuing solutions, we're having great success with our network products around the world. DPS continues to have great success with clients in the U.S. I mentioned in my prepared remarks that we had renewed with Bank of America. That's one of our, as you might expect, largest clients in DPS, a fantastic partner, as well as a number of the other value-added services I mentioned. In the acceptance solutions business, CyberSource continues to have great success around the world, both with their omnichannel services as well as some of the value-added services they have, like token management service and the like. Our disputes business beyond just what I mentioned earlier around ServiceNow is having great success. Verifi is really firing on all cylinders, especially as it expands outside the U.S. Our risk and identity solutions business is really proving to be very resilient and high growth, both our Advanced Authorization Platform, Visa Risk Manager, Visa Secure, all the various different products that we've been bringing to market. And then our advisory services continue to do well. I mentioned in a few of the client wins in my prepared remarks, the success we've had with our managed services platforms where we're embedding teams of Visa employees in our clients, working shoulder to shoulder with our client partners day in and day out, week in and week out, month in and month out, helping them drive their business forward. I mean, that drives revenue growth. That diversifies our revenue. But more importantly than any of that, that embeds us in the building with our clients, helping them grow their businesses, makes our core business even more sticky. So yes, it's execution, it's product pipeline, it's delivery, and we feel really good about the results. Thanks for the question.

Jennifer Como

Next question, Jordan.

Operator

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

Bryan Keane

Hi, guys. Just wanted to get a couple of clarifications. I think last quarter, Chris, you talked about growth would be at a low point in the first quarter, and then you would see that trough accelerate going forward. Just a nuance of the guide is mid to high single digits, so just trying to make sure if there was anything else new to report on Q2 versus Q1 being the trough. And then secondly, just a slightly higher operating expense in constant currency from, I think, it was high single to low double, just the low double now. Was there anything to factor in for that?

Chris Suh

Yes. Thanks, Bryan. Yes, so just backing up to your point, going into Q1, you outlined the guidance that I gave. We set an expectation at that time, similar language, high to mid-single digits to high -- sorry, mid- to high single digits, and we did come in at the high end of that range, which was, again, largely benefiting from timing of incentive performance. We have a similar expectation in terms of the range of growth in Q2, but many of the variables that I talked about in terms of the half one versus half two a quarter ago, which was lapping high volatility, lapping high cross-border performance from a year ago and lapping lower incentive growth from a year ago, those, we continue to believe, hold true. And we do anticipate that growth will accelerate into the second half of the year. In terms of your question on OpEx, yes, the changes that you picked up in terms of the full year guide primarily have to do with two things. One is we're now including the impact of the acquisition of Pismo into the guide for OpEx, and there's been some slight updates based on FX, the current FX rates.

Jennifer Como

Next question, Jordan.

Operator

Our next question comes from Andrew Jeffrey with Truist Securities. Your line is open.

Andrew Jeffrey

Thanks. I appreciate you taking the question. Ryan, I wanted to dig in a little bit on the impressive 17% merchant acceptance growth. It sounds like that really highlights the possibility or the opportunity for continued volume growth even in markets maybe where the secular growth rate is slowing a little bit. Is that sustainable? Should we continue to think about that kind of mid-teens acceptance growth as being a key driver of overall volume expansion?

Ryan McInerney

Listen, when I'm talking to our sales teams around the world, I'm pushing them for as much as possible and more. I mean, if you travel around the world, there are still hundreds of millions of small businesses that aren't on our network. And then you add to that, Andrew, you add to that kind of the creator economy and what's happening there. You literally can think about the acceptance opportunity in billions. So our sales teams around the world are out there working hard, getting creative, figuring out different ways around the world that we can serve those 100-plus million small and micro businesses and ultimately, 1 billion, 2 billion, 3-plus billion individuals around the world that all ultimately could become acceptors of our products as you think about things like Tap to Phone rolling out at scale. I mean, you can imagine a world where every handheld device becomes a tap acceptor, and every device is a tap to pay opportunity where we can not only penetrate further into the C2B space but the P2P space and others. So we felt really good, as you were alluding to, for the last -- I think the last several quarters, we've been 17%, 18%, 19% growth in acceptance locations. I tried, in my prepared remarks, just to give you a little bit of color of the type of things that we're out there doing with players like bKash and Caixa. And we'll be pushing hard to continue to light up all those other opportunities in emerging markets and developed markets around the world.

Jennifer Como

Next question, Jordan.

Operator

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

James Faucette

Thank you. I wanted to touch on the cross-border travel volume growth. It looks like it slowed from roughly 25% to maybe 16% to 17% in January. And back when you're kind of outlining your assumptions for fiscal '24, you thought it would be in the low-20%, and we see a 4 to 5 percentage point improvement compared to 2019. Just wondering how we should think about that as an assumption going forward. Do you think we'll bounce back to that low 20s? Or do you think something closer to where you've seen in January makes more sense? Now this is an area that sometimes you have at least some forward visibility, so trying to get a sense of where we should be thinking about that component?

Chris Suh

Yes. Great. Thanks, James. We had a really good quarter in Q1 to start the year on our cross-border business. Cross-border volumes, as you said, was up 16%. We feel great about that; and as you click into those, e-com growth in the low teens and 19% growth in travel, with the index going from 139% to 142%. And I'll just clarify one thing you said in terms of the guidance that we had provided into the low 20s, that was related to the travel portion of that, which came in at 19% or almost 20%. I do think when understanding the composition by region of our performance, and some of this is a little repetitious but I think important to go through, looking at it region by region is helpful. In LAC, CEMEA, Europe and U.S. outbound, strong results, indexing between 145% to 170% relative to the 2019 levels; second, U.S. inbound, which up until Q4 had lagged 2019, also continued to improve in Q1 and in line with our expectations; in AP, we did see continued expansion in and out of AP but a little bit slower than we saw in Q4, and that was specific to Australia and Japan. And it's probably also worth mentioning, well, not necessarily a large number, the war in the Middle East did have some impact on the cross-border numbers as well. But again, stepping back, we feel really good about our cross-border business in total. The Q1 results were strong, 16% growth; healthy growth for both travel and e-com. And we feel good about the outlook for the rest of the year.

Jennifer Como

Next question, Jordan.

Operator

Our next question comes from Ashwin Shirvaikar with Citi. Your line is open.

Ashwin Shirvaikar

Hey, Ryan. Chris, Jen, how are you? I just want to drill down into sort of expectations or implied expectations for second half of fiscal '24 given Q1 results, upper single digits; Q2 expectations around growth, mid- to high single digits, so there's an acceleration that's implied. And the question is, what drives it?

Chris Suh

Yes. Thanks. I'm going to break that down into two questions because, one, you said how do we feel about the revenue guide and then I think the second question implied there was on drivers. And so let me talk to those because they are a little bit different. And maybe I'll even start with the second part first, which is with drivers. We're 1 quarter into the fiscal year. It was a solid quarter, stable trends from Q4. And importantly, the consumer has remained resilient. As we look into the rest of the year, we do anticipate drivers to continue to tick up slightly in the second half of the year for two reasons: one, average ticket sizes should improve, in particular, as we lap lower ticket sizes in the second half of last year in the U.S. and we see continued inflation in certain international regions; and second, we're continuing to execute against our growth initiatives in our global markets, for example, the processing wins that we've seen in LAC that we've shared progress about previously. So that's sort of the underlying drivers. And then your first question actually was on revenue. We had a solid start for the year, a really good Q1, stable Q4 trends. Today, we've reaffirmed our full year guide on net revenue in constant dollars, and that includes the modest impact of Reg II that we talked about. So we feel good about Q1. We feel good about the outlook for the rest of the year, and we'll continue to focus on execution.

Jennifer Como

Next question Jordan.

Operator

Our next question comes from Timothy Chiodo with UBS. Your line is open.

Timothy Chiodo

Great. Thanks for taking the question. I wanted to dig into Pismo a little bit. The website talks about large banks, marketplaces and fintechs. And you mentioned earlier the movement away from the legacy systems into more modern cores. I want to talk a little bit about the ambitions and the potential in terms of the bank sizing. And also, these core conversions, are they for new product and sort of sidecar cores, if you will? Or are we talking about the potential for your core kind of issuing clients in the U.S., midsized banks, to be moving their legacy core potentially over to something offered by Pismo in the future?

Ryan McInerney

So let me step back and talk a bit about how we found Pismo and then answer your question directly, Timothy. I mentioned in my prepared remarks these narratives and these priorities that we've been hearing from CEOs of banks all over the world, in the U.S. and all over the world, medium-sized, big-sized banks, which is, one, they're trying to make this transition from their legacy tech stacks to the cloud; and the second is they want to expand, especially in emerging markets where they don't have enough options of issuer processors to help them. That led us, hearing that over and over and over again, to go search the world for what we thought was the best cloud-based processor and core bank provider that we could find. And that led us to Pismo. And so while Pismo is based down in Brazil, their platform is global. Their clients today are a mix of some of the biggest and most sophisticated banks in the world as well as medium-sized banks and fintechs. So they already today have a mix of different client types. And our ambitions, our ambitions are what I said in my prepared remarks, which is we want this to be the preferred provider of banks around the world. You asked specifically about midsized banks in the U.S. for their core banking platform, the short answer is absolutely. As you think about large banks and their issuer processing capabilities not just for debit, which we have today in the U.S., but for debit, credit, prepaid, commercial, not just in the U.S. but globally, we think Pismo is absolutely a solution that our issuers could be using around the world. So yes, it is a global platform. We have global ambitions. Given the relationships that we have, the privileged relationships that we have with banks, big and small, in the U.S. and around the world, we feel good about our ability to distribute the product to them.

Jennifer Como

Last question, Jordan.

Operator

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

Jason Kupferberg

Thank you. Just wanted to ask if we're still comfortable with low double-digit process volume and transaction growth for this year. I know both of those started off kind of in the high-single-digit range, ticked down a little bit in January. And also, any change in your thoughts around fiscal '24 incentive guidance? I think we were looking for modestly less dollar growth than in F '23, but you did a little better than expected in Q1. Thanks.

Chris Suh

Yes. Thanks, Jason. I think I answered some of the driver questions, but I'll just recap very quickly at a summary level. We're reaffirming the outlook for the full-year on drivers, second half benefiting from average ticket sizes in the U.S. and inflation in certain international regions and continuing to executing a number of our growth initiatives in global markets. Processing wins in LAC is the example that I used a minute ago. And so yes to your first question about reaffirming the guide on drivers. And then sorry, repeat your second question for me.

Jason Kupferberg

Just on the incentive guide.

Chris Suh

Incentives, yes. On incentives, yes, also no change in outlook for the full year. As you know, we manage the business to net revenue growth. That's where we're focused. We've updated our guidance for the full-year and Q2 on that. And we'll continue to, like I said, focus on execution.

Jennifer Como

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