

CONVERSATIONS WITH MIKE MILKEN



Al Kelly

CEO and Chairman of the Board, Visa Inc.

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Mike Milken: Al, thank you for joining us today.

Al Kelly: Hey Mike, it's a pleasure to be with you.

There are 3.4 billion Visa cards worldwide. You have 20,000 employees in 130 offices in 76 countries. You have this worldwide footprint: you're tied into more than a hundred million merchants and trillions of transactions. You're one of the seven largest tech companies in the United States, but also the most valuable financial institution in the world. As you focused on the pandemic, how did it affect your employees and your leadership?

This global pandemic has impacted every business in the world, and that certainly includes ours. We first saw our issues at the end of January in China in terms of lower volumes start to spread throughout Asia; first in the travel categories and then in a broader set of categories. From the beginning of March to the end of March, it felt like two different worlds. In the course of 30 days, virtually the entire planet went into lockdown. We have about 97% of our employees now working from home. We have only five offices in the world open right now, our three in China, our one in Taipei and one in Seoul, South Korea.

We have put safety of our employees at the top of our priority list. From the very beginning, we have made sure that we have had constant and clear communication with them. I'm proud of how people have stepped up. Technology is an amazing thing, and our technology has served us well. I feel as productive, if even perhaps more productive, operating from my home office. I think many people feel the same way. We're certainly anxious to see the world start to reopen, which is beginning, and we're starting to see a little bit of improvement in our volumes because of that reopening.

Al, you support so many merchants and their communities around the world. You've had companies that had record sales in January, particularly in the experiential business: hotels, movie theaters, restaurants, airlines. Their world has been turned upside down. How have you supported these merchants and their communities during these times?

My heart goes out to workers and businesses that have really been slammed by this pandemic. Those categories you mentioned have quite a variance in terms of size.

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Obviously many of the airlines and the hotels are big global organizations. When you talk about things like restaurants, you're into a lot of mom-and-pop type of stores. The biggest thing that could happen for these people is to get things restarted, which obviously we can't control. I don't want to act as if we can be a huge help here, but what we did do is we made a decision to delay a big system enhancement that we always put out in April, because at a time like this, the best thing you can do is do no harm. We decided that we should make no

changes to the commerce infrastructure of the world and not introduce any more variables of change in a time when there were already too many things moving and changing in the world.

On top of that, we've just tried to stay very close to our clients, and in a few cases have restructured a few of our deals. But the biggest and most important thing is that we smartly reopen the world. I say smartly, because Mike, almost every medical expert I've talked to says there will be a resurgence of COVID-19 in the fall. We just need to make sure that we can manage through it so that we don't have to go back into lockdown. For our part at Visa, I am in no rush to move our employees back to offices.

Our employees are working effectively from home. They're getting paid. I made a commitment in the very first week of COVID-19 that there would be no COVID-19 layoffs at Visa. So people have job security. I would rather not have our folks clogging up buses and subways and trains and roads getting back to work when so many people are unemployed and the only way they can get their paychecks flowing back into their bank account is to get to a particular place of business. I want to see those people have the priority in getting back to work ahead of myself and my Visa colleagues.

There's a lot of changes in the deployment of technology in many businesses. In the case of telemedicine, you have some centers where they have more telemedicine visits in a day than they did in all of 2019. What do you see as the most impactful temporary or permanent changes coming from the pandemic?

First of all, I would say in the last three months we've probably had five year's worth of acceleration in terms of e-commerce. As many, many storefronts were closed, people around the world who had heretofore shunned e-commerce and shopping online because they didn't know how to do it or they were afraid of it, have started interacting. Around the world we've seen massive increases in first-time users of e-commerce. We had 13 million people in Latin America for the very first time do an e-commerce transaction from their computer, tablet or phone in the first quarter of the year. And once you use it the first time, the habit gets formed and it starts to really take off.

I think a second trend that's also very positive for us is that people are realizing that cash is a way that germs get transmitted. Currency is dirty. It goes from person to person, cash register to cash register, bank to bank multiple times a day. Increasingly, both

consumers and merchants or sellers are wanting to get away from cash. Last year, \$18 trillion was still spent on cash and check around the world; huge amount of money.

The opportunity for people to move to digital payments more quickly now, because they are concerned about cash, is a very, very positive development for us as well. A third one is that governments are taking an increased interest in payments because of COVID-19 as they've implemented their own recovery programs and stimulus programs and emergency relief programs. We're working with the U.S. government on the distribution of stimulus funds through Visa pre-paid cards. We're working with about two dozen state governments in the issuance of unemployment insurance. We're working with

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another 15 to 20 countries around the world helping them distribute their relief funds or their stimulus funds to their citizens. Those are three very, very positive changes that I think will occur.

The negative one, perhaps Mike, is how quickly long-haul, cross-border travel and business travel will come back. I think most CEOs and most CFOs are going to be asking questions about how much business travel do we really need to do. Can we really get much more done through teleconference capabilities and not necessarily get on airplanes?

Until there's a vaccine, I think many people are going to be somewhat reticent to travel the world. In terms of business travel, I think there could be some permanent structural changes in just how much business travel is done, say, for the next three or four years versus what happened in the last three or four.

I'd like to touch on another issue now. Half of your 20,000 employees are in the United States. Responding to the death of George Floyd in Minneapolis and the demonstrations that have occurred, the outpouring of emotion throughout the United States, has now been another issue for your leadership team. How have Visa values help lead you in your response?

I can't let that question go without saying that my heart goes out to the family of George Floyd and any African-American person who has obviously been horrendously killed

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because of the color of their skin. Or for that matter, been a victim of social injustice or racism or any form of discrimination. The reality is that black lives do matter, and we just simply have not made enough progress in this country. This issue has been an issue for way too long. It's got way too much history, and we've got to start really getting much more serious about fixing this problem in the United States. It's not who we are as a country, or it would want to be.

I sent out a note last week to our employees, Mike, and said there were five actions. I for one, did not want to just write a check to an organization and say,

‘okay, we've done our part.’ I wanted to do something that was more forward looking, something that was more strategic, something that was more sustaining. So the first

action we took was to commit that we're going to spend \$10 million on scholarships for black college-bound students over the next five years, and if they do their part in their studies, they will get a guaranteed job offer from Visa upon graduation. I have to say that the more I talk about this, the more excited I am about beginning to build a pipeline of young, energetic, educated, smart, black graduates coming into the halls or the virtual halls of Visa year after year.

Secondly, we recognize that our employees wanted to be involved and make contributions to organizations that mattered to them. So we said that we would double match any contribution they made to certain organizations that supported racial justice and equality.

Third, and extraordinarily important, is we committed to drive more conversation as a community at Visa about racial inequality. Part of the way you solve this problem is talking about it and talking about it from different vantage points – everybody hearing each other out. We have to have more dialogue in order for us to move towards solutions.

Fourth, we offered any kind of support that any African-American employee needed in terms of a support system because they were feeling stressed or upset or angry about the situation that they were facing in what had happened particularly in the last 10 or 11 days here in the country.

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And lastly, and this is also important, a lot of our leaders, and I'm sure this is true of every company, are not ready, not able to have the conversations that need to be had. Some are just nervous about saying the wrong thing. Some are worried about how to handle a conversation that could have some emotion to it. These are not things that are taught in college or even an MBA program. So we have, and will continue, to be providing specific guidance to our leaders around the globe about how to have this kind of dialogue so that we have constructive open communications throughout the company. All leaders start to feel more equipped to have the kind of conversations that I think are very, very important.

All that said to me, Mike, this is a beginning. We have to continue. I describe our diversity and inclusion as a journey; we're on that journey, we have been on the journey. I strive every day for Visa to be a company of total equality and fairness, but we still have work to do. I'm not going to stop worrying about and focusing on this issue until we

have made all the progress we need to make. I think that will take me through the end of my career, making sure that this is a priority for our company.

We have to make sure the American dream is available to everyone, not based on their religion, not based on the color of skin, not based on where they were born, where they went to school or who their parents were. I want to really commend you and Visa for your leadership here.

I'd like to talk about another issue. It is estimated that maybe half the children in the world will be living in Africa near the end of this century. We know that India is on the verge of becoming the most populous country in the world. Projections from the United Nations are telling us that by 2050, 50% of the largest 50 cities in the world will be sub-Saharan Africa, and we're going to continue to see growth in Latin America, which is a relatively young part of the world compared to Europe or the United States, or even China or Japan. How do you see Visa's role in that part of the world?

We're not trying to get public accolades. I just want to do the right thing for our employees and do the right thing for this country and this world. To your question about where the world is going and where the populations are moving, it's something we pay a lot of attention to. There are about 1.7 billion people by our estimates on the face of the earth that are unbanked or underbanked, and many of them are in the geographies that you talked about. India has been and remains an extraordinarily interesting, exciting and important market for us. They've been really bombarded by the coronavirus, but are a very, very exciting market for us and a place where we're growing already in a fairly big way.

"There are about 1.7 billion people by our estimates on the face of the earth that are unbanked or underbanked. I see Africa as an incredible story. We are planting flags throughout the continent. We're going to fulfill our purpose of helping individuals, businesses and economies thrive."

I see Africa as an incredible story; probably six of the last seven of the 130 offices we've opened around the world are in Africa. We are planting flags throughout the continent. We just did a very big deal with Safaricom, one of the big telecom companies in Nigeria. It's an exciting continent, and one that we will continue to be very focused on. I expect the flag planting we're doing today will not only produce a lot of short-term revenue and profit for the company, but it's an investment in the future.

We've had long time presences throughout much of Latin America, but Latin America is still a very heavy cash society. There's a lot of opportunity to help make that more of a digital society going forward.

We're going to fulfill our purpose of helping individuals, businesses and economies thrive. We have to be students of what's happening around the world in terms of people, where they're growing, where they're not, where they're migrating to, what their traditions are, what their needs are. It's something that we watch very, very closely, and it's one of the things that excites me about the future of Visa and our ability to grow. As big as we are, knock on wood, as well as we've done, there's tremendous upside for this company along any number of growth factors. Certainly one of them is the geographic factor.

Al, I want to thank you for your leadership. I want to thank you for your participation today on this podcast. I wish you and your entire family and extended family of all your teammates at Visa, good health. We look forward to your commitment in solving many of the social problems in the world directly and indirectly through your leadership.

Mike, it was great to spend time with you. Thank you and all the best to you and the Milken clan. Thank you.
