

Magellan – In The Know: Episode 44

Mastering the world of payments



Announcement ([00:00](#)):

The information contained in this podcast is for general information purposes and does not constitute investment advice. You should seek investment advice tailored to your circumstances before making any investment decision.

Host ([00:14](#)):

This is In The Know, a monthly investment podcast brought to you by Magellan Asset Management.

Devin Corr ([00:20](#)):

For me, my personal card journey is when I first got a credit card, I might've bought a TV, some of those larger ticket items. Now, today, I'm buying a coffee, I'm tapping to go on the transit system or whatever it might be. But there's a lot of that low-ticket transactions yet to be shifted to digital payments. So there's a lot of runway left in transactions. And then there's new business models. The world continues to evolve, and the good news, a lot of these new tech business models are supported by digital payments.

Host ([00:48](#)):

That's Devin Corr, the head of investor relations for one of Magellan's most reliable quality compounding investments, MasterCard. Welcome to Magellan, In The Know. The opportunity for the electronic financial transactions' industry continues to expand from personalization to the gig economy and fraud prevention. And MasterCard is well-placed to take advantage of these new developments in the global megatrend away from cash. In this episode, Devin Corr is joined by Magellan portfolio manager of Core Global and Core ESG, Elisa Di Marco, for a wide-ranging discussion about how MasterCard is benefiting from this structural tailwind of payments digitization. First, here's a warm welcome from Elisa Di Marco.

Elisa Di Marco ([01:38](#)):

Welcome to Magellan's podcast, In The Know. I'm Elisa Di Marco, the portfolio manager of Magellan's Core ESG and Core Global Strategies. Today I'm joined in person with Devin Corr, the executive vice president of MasterCard's Investor Relations Team. Welcome, Devin.

Devin Corr ([01:54](#)):

Thank you. Thank you for having me. I'm happy to be here in person.

Elisa Di Marco ([01:57](#)):

Yes. No, it's quite the privilege having in-person meetings. It still feels lovely even after COVID, we've had borders open, but you still don't get the same interaction, so thanks so much. So we've been following the MasterCard journey for a really long time. Here at Magellan, we've been invested in

MasterCard for over 14 years. We have very happy shareholders with returns of over 20% annually from our investments in MasterCard.

[\(02:19\)](#):

And I think it's really important to say upfront that even though we've been investors for such a long time, we still think that MasterCard is a really attractive opportunity for our investors. And while we still have positions in several of our global equities funds, and that really comes down to the quality of the business and that we still think there's that attractive resilient growth within the business. So we'll unpack some of these topics in our conversation today.

Devin Corr [\(02:41\)](#):

That's great to hear. Very happy that you're happy.

Elisa Di Marco [\(02:44\)](#):

Yes. All right, Devin. So again, thanks for joining us and we caught up yesterday. I think it'd be really great for our listeners just to set the scene in terms of a bit about your background and your career so far.

Devin Corr [\(02:54\)](#):

So thank you. As you said, I'm head of investor relations right now. I've been in that role for about 12 months, just about a year now. But I've been at MasterCard not quite as long as you've been a holder, but about 10 years. Within that time, I've spent a number of different roles in finance. I started in treasury, but then took on roles as finance officer for areas like consumer products, data and services as well as in the region for UK and Ireland. And prior to that, I was in the market. So I was an equity trader and an equity analyst.

[\(03:20\)](#):

I think worth noting, and I know it's not your question, so you're probably not expecting this, but from my career at MasterCard, I think is a good depiction of our culture, and we won't get into that as much from an investment perspective, but the fact that I could move around as much as I did is common. So people can try new careers, managers will take chances on people, and it's a really good way to continue to retain talent and grow a diverse culture over time. So I think it's a really interesting point of what happens behind the scenes or behind the walls of MasterCard.

Elisa Di Marco [\(03:48\)](#):

Yeah, really interesting. And I think it was one of the points in our discussion yesterday that real importance of that innovative culture that MasterCard has. And I think that what you've just described is really how you're able to do that because you've got those relationships from working around the business.

Devin Corr [\(03:59\)](#):

That's correct.

Elisa Di Marco [\(04:00\)](#):

So I think everyone's had quite an interesting payments journey throughout their life, and I think being at MasterCard, you've probably seen how the business has evolved. We'd love to hear about how things have changed over the last decade.

Devin Corr ([04:11](#)):

They changed a lot over the last decade. It's interesting though, we joke because we've seen a big ramp-up of fintechs in the recent past. We joke because we consider ourselves an original fintech, but we've been doing it for 50 years, almost 60 years now. It takes a long time to really build that global network and ubiquity that we do have. But if you just look at even the last 10 years, the evolution we've had, it's really about diversification. And what I mean there is right now, we're in 210 countries and territories across the globe. Our revenue is around 70% outside of North America.

([04:42](#)):

So we are truly global, truly local. But along that journey, if you take it in buckets, one from a product perspective, we started off predominantly credit. Today we offer credit, debit, prepaid and commercial products. So we're very diversified. From a services' perspective, we started off with some card benefits, some consulting, some marketing. Today we offer AI-powered, best-in-class fraud solutions. We offer personalization solutions, we offer AI-powered data insights and analytics like benchmarking tools et cetera. So just from a numbers' perspective, if we think about that, we've gone from what was about mid-teens percent of our services in 2012 to about a third of our revenue coming from services.

([05:22](#)):

So it's been a huge growth driver for us, and one we're really invested in because it brings differentiation, diversification et cetera. When you think about payments itself, obviously cards are a preferred form of payment, but we've added areas like account-to-account, real-time payment and blockchain. So really why have we done all this? It diversifies our revenue, it makes us more resilient, as you think about the economic cycles and over time. So at the end of the day, it positions us very well for the long-term in general.

([05:48](#)):

So 10 years, 50 years is a long time, but we continue to innovate. And to your point earlier, we have to keep doing so to make sure we continue to maintain the growth that we've continued to deliver to you over time. I think it's also very much embedded in our strategy. So all of this, even the evolution falls into just continue to execute on expanding in payments, extending our services and embracing new networks. And if we continue to sit underneath that and grow in the right way, we can continue to see a long future ahead.

Elisa Di Marco ([06:17](#)):

Thanks for setting the scene there. When I think of our listeners, most of us would only really think about MasterCard in terms of our user experience as consumer payments, but that breadth of offering and how you support all of the different users and your customers within the ecosystem, the business is so much broader than just that consumer piece that we have that everyday interaction with.

([06:38](#)):

All right, so we mentioned we've been in MasterCard for over a decade now, and a big part of that is the quality attributes and why we like MasterCard. If you're able to set the scene for us in terms of the quality of the business, specifically talking about that network effect and why it's so valuable and how it enables you to continue to generate these attractive returns?

Devin Corr ([06:58](#)):

So MasterCard operates one of the fastest and most secure payment networks in the world. I'm happy to be able to say that we're focused on delivering a network that provides customers and cardholders with a convenient, secure way to pay anytime and anywhere. And we'll get into some stats around that so it really hits home. But even more than that, debt network means trust. So to your point, people

think about, "I can make a payment," right? But our brand and the network itself matters, the fact that you believe you can make that transaction. The merchant knows that it'll get paid at the same time so you can walk out with that pair of shoes or whatever it might be that you have in your hand.

[\(07:30\)](#):

So if you think about the network, the way the four-party model works, it's a B2B2C. We set a number of franchise rules and standards, and if people adhere to those, they can join the network. So welcome all issuers, acquirers, which reach out to the merchants et cetera, as long as they follow those standard rules. But what that brings... Also, sorry, within those standards and those rules are certain capabilities or rights for cardholders. We talk about zero liability, we talk about chargeback rights and that's regardless of income, age, identity, whatever it might be. But what that really brings is scale, and scale's a very good thing, right? Both for us and for you as investors.

Elisa Di Marco [\(08:07\)](#):

Absolutely.

Devin Corr [\(08:08\)](#):

So putting that in perspective, what is scale? So we have well over 100 million acceptance locations worldwide. So we are anywhere you go. Our network in 2023 covered about \$9 trillion in global volume. It covered 143 billion transactions and represented about 3.3 billion cards. So that's a lot. But beyond that, we have a lot of tools to ensure it's safe, it's secure and whatnot. So you think about that scale, that differentiator, it mitigates some of the competitive threats when you think about account-to-account threats, buy now, pay later, closed-loop wallets.

[\(08:42\)](#):

Plus it's an efficient way to really deploy and scale our products, our services, that second pillar I mentioned earlier. And it's very difficult to replicate having the expertise, the number of acceptance locations. I talked about a 50 to 60-year journey that it takes to build some of that. So for me, and I think the main point of where you were going on investability and the network being so powerful is it's undeniable that the bigger your network is, the stronger it is, the harder it is to displace. And our best defence and offence against the competition and continue to grow to scale is continue to invest and invade around that network.

Elisa Di Marco [\(09:19\)](#):

Yeah. I think when we think of our perspective on the investors, what you've just said just really hits home, and the thing that makes all the difference for us is that ubiquity in payment. And then the important thing is that simplicity of that consumer experience. It's very complex what is going on behind you just tapping your card and all of those elements that you just described connecting essentially the entire world.

[\(09:40\)](#):

Yet you've come here from the US and travelled on your way here and you're just using your card everywhere you go and it's so simple, so fast. And that user experience just strengthens that network effect. Why would you use another network when you're able to just ensure that all of your payments online, offline, just work with the MasterCard?

Devin Corr [\(09:59\)](#):

Yeah, I fully agree. I have not pulled a dollar out of my wallet since I left home. Actually, I was with the chief digital officer last week, and he was talking about how he forgot his wallet at home. So he travelled

for two weeks across the globe with just his phone and was able to do it. So it really is feeling comfortable being able to use those payments anywhere in the world.

[\(10:15\)](#):

And if you think about where I've been on the bookends, I started in the US and ended in Australia when I'm using my cards, but there's been more shift to digitization of payments there. In the middle, I was in Japan. I used my card everywhere, but there in Japan, cash is still a huge amount of the volume in transactions. So there's just varying levels of digitization across the globe and opportunity ahead to keep converting that cash.

Elisa Di Marco [\(10:35\)](#):

Yeah, I'd love to drill down on that a little bit more because in Australia, from our perspective, I can't tell you the last time that I needed to take cash out. I get cash for a birthday present every now and then. It lasts me for probably six months because I just use my card in every form of payment. So are we at risk now for MasterCard's growth to slow given in some of these developed markets like Australia that we feel really digitised already?

Devin Corr [\(10:59\)](#):

Yeah. No, it's a great question. I thought it was interesting too when we spoke yesterday, you mentioned not only do you not use cash, you don't necessarily ever need your PIN.

Elisa Di Marco [\(11:04\)](#):

Correct.

Devin Corr [\(11:04\)](#):

Because everything here is contactless, so that's crazy. So Australia is very advanced. But even these advanced economies, there's a long runway for that secular shift and you have to think about in a different level. So think about one, we've always talked about it from a volume perspective. And from a volume perspective, there's still cash. Look at economies like Japan, Germany, the African continent, Peru, Colombia, there's a large amount of volume that's cash. And even in the developed, believe it or not, there's still cash in Australia, less so in the cities. The same in the US, it's developed, but there's still a lot of cash left than volume. But when you move beyond volume, there's transactions.

[\(11:37\)](#):

And in transactions, there's a huge amount of cash left, more so than volume because you think about, at least for me in my personal card journey, is when I first got a credit card, I might've bought a TV, some of those larger ticket items. Now, today, I'm buying a coffee, I'm tapping to go on the transit system or whatever it might be. But there's a lot of that low-ticket transactions yet to be shifted to digital payments. So there's a lot of runway left in transactions, and I'll double click on that a little.

[\(12:03\)](#):

And then there's new business models. The world continues to evolve and the good news is a lot of these new tech business models are supported by digital payments. So not only is there a, let's call it, shift there, but it's also a way... it wasn't cash, it's just new to digital payment. So if we look at some of the second two pillars there, so one in transactions, a great example is transit, right? So transit in the prior world in New York City. I buy a MetroCard, and these aren't the right numbers, but as an example, a MetroCard would cost me \$20. One transaction, \$20.

[\(12:33\)](#):

Today the New York City subway is open for contactless transactions. So now, today I'll tap my card 10 times for that same \$20. What's great about that is MasterCard makes money on volume and MasterCard makes money on transactions. So at the end of the day, the same volume has opened up a larger transaction opportunity. So that runway, you can't just look at a volume, you have to see all of the opportunity there is in transactions. And then shifting to the new business models, you think about how the world's evolved, not even the last 10 years, the last two, three, four years. We're all, or at least I, have Netflix, Amazon Prime, Disney Plus, Spotify. All of these are subscription models that are supported by digital payments.

[\(13:15\)](#):

These are recurring payments that happen on card, and that's incremental transactions to MasterCard. Who knows where this is going to go from the other models et cetera over time? I think one really cool example in that same venue is Uber. So Uber obviously is carded to be able to take a taxi, but Uber Eats actually brings out how our overall diversified business model can support the long-term secular trend. And what I mean by that is today or yesterday, I would go buy a sandwich for lunch, I'd pay \$10, one transaction.

[\(13:42\)](#):

Today, I use Uber Eats and I have it delivered to my office. I pay \$15 for that same sandwich because Uber marks up, right? One transaction, more volume. Now, Uber, in their business model, needs to turn around and pay the sandwich shop. That can be done on a MasterCard virtual card. So that's as we think about our new flows or our commercial flows. Also, Uber needs to pay its driver, and drivers want their money immediately. So that's through early wage disbursement, they can use our MasterCard Send technology to pay that driver.

[\(14:10\)](#):

So that is incremental volume on what was a normal consumer transaction now adding a secular tailwind in these new flows or commercial flow supported by these new business models. So I think for us, it's really about, there continues to be incremental secular tailwind along the way. And I know this wasn't your question and I'll try and hand it over back to you in a second. But when you think about our overall growth algorithm, that secular tailwind is huge. It's just one piece of it. It starts with different pillars. The first pillar being economies grow. The more we're in the flow, we benefit from economies growing. Then it's a secular tailwind, which we just talked about a bit. Then it's winning market share. And the good news is we've had a number of recent wins over the past couple of years.

[\(14:47\)](#):

When you think about UniCredit in Italy, we just renewed Commonwealth Bank here in Australia. There are a number of regulated debit wins we just announced in the US across citizens, BOKF, Webster, the debit wins in the UK et cetera. So that's core payments. Then there's our new payment flows. We touched on that in the Uber Eats, and that's just a whole commercial opportunity that adds a huge amount of incremental addressable opportunity. And then it's our services and our new networks like open bank and digital identity. So there's a number of pillars of that long-term growth that can all play into where it'll come out from a long-term model.

Elisa Di Marco [\(15:19\)](#):

Yeah, it's so interesting. I think it really circles back to your initial points of that importance of innovation, of how you've been able to innovate and then bring the world on this digitization journey, really enabling all the technology that all of us love the convenience of in today's world. And that Uber Eats, I think, is just such a great example of the importance of payments that you can pay workers within the restaurant, and the driver, and they get their money in almost real time now as it's such an

important part of that ecosystem. So we touched a little bit on new flows along the way here. Can you help frame for us what is that opportunity and why is it that we're excited to be invested in MasterCard because of those new flows outside of consumer?

Devin Corr (16:01):

It's because it's a big opportunity. No, you think about new flows and what's underneath there. So think about new flows, it's commercial flows, which again, deep dive, it's disbursements and remittances, to your point on paying drivers, and we can talk through some use cases. But within all of those new flows, it's a lot of cash and check, a lot of account-to-account payment, which just means there's a lot of potential for cards to penetrate. So for us, it's a massive addressable opportunity. It's bigger overall than PDM or the consumer space. So there's a lot for us to go after.

(16:30):

So if you think about commercial in general, for us just putting in perspective versus consumer, it was about 13% of our GDP in 2023, and it grew at about 13% year over year in 2023. So if we double click underneath it, what is commercial? What does it mean? There's a couple segments. One is commercial POS. Commercial POS is simplistically corporate T&E cards, small business cards or fleet cards. So when truck drivers need to pay for gas, that type of thing, these are things we know. They're cards. It's just we need to get out there and penetrate, we need to have the right services to increase the value proposition around those overall cards themselves. So let's take maybe small business as an example.

(17:10):

Small business, at least in the US, is very check-based and that's inefficient. There's a cost to that. So adding a card solution is something small business needs, but they also need to understand the value proposition, right? It's easier, it's safer, it's secure, all the good stuff MasterCard brings. But we have solutions around that to help them as a business as well. So we have expense management platforms, something called Smart Data. We have something called Easy Savings. I know this sounds simplistic, but automatically embedded in your card are rewards that MasterCard has brought from the merchants, meaning my small business card now can have an automatic discount at Café Vyrus or at a rental card company when I go. And all this, even small discounts help.

(17:51):

So at the end of the day, for us, it's bringing the right propositions to displace the amount of cash, check, account-to-account. And that's across more than small business, but just looking at that example. Another vertical is what we call virtual cards. From virtual cards are commercial cards. We're going after different use cases. Touched on a few. So one being B2B accounts payable. So we've been partnering with a lot of these ERP systems to embed virtual cards into the supplier payment mechanism. And this is an area that is very, very account-to-account focused today. So we're offering a simple and safe solution. It brings liquidity automatically to the suppliers, but we also think it can help mitigate some of the friction.

(18:27):

And that's driven by some of the services that we put on top of it, meaning there's things that we call straight-through processing, is one example. Straight-through processing just brings information along with the virtual card flow. What that is, instead of an account-to-account payment where you pay a certain amount, I sent \$25,000 to my supplier, the supplier then needs to call me and say, "Okay, what invoice is this for? Is it partial payment? How do I reconcile?" That information can directly flow with a virtual card. And then we have services like something called MasterCard Receivables Manager. And what that does is it actually allows for an AI solution to help reconcile all that automatically, which can help take away from the manual flow that's needed within the account-to-account payment.

[\(19:05\)](#):

So these virtual cards, we've seen good growth, we think there's great opportunity. That being said, it's still a small percentage of penetration. So it's now about educating now that we're embedded into these ERP systems et cetera. I think another good example is the travel vertical. And so we spent a lot of time bringing partners on, like Booking.com, Agoda.com. I feel like I always pronounce that one wrong. Hopefully I got it right. Or Expedia. And with these partners, it's not about me buying a hotel night at Marriott and a plane ticket at Qantas. That's a normal consumer payment.

[\(19:36\)](#):

It's about Booking.com then paying Marriott and paying Qantas. And that information, just as I mentioned before, flowing to make that a simpler, an easier transaction. I think we've seen a lot of really, really good traction within that travel vertical. So that's the VCN side of things. And the last one maybe to touch on is disbursements and remittances. This is our MasterCard send or our cross-border services capabilities. And this comes back to what you mentioned about paying drivers.

[\(20:00\)](#):

There's use cases here, if you think about normal P2P. If you think about the gig economy overall, not just drivers but other workers within the gig economy, they think about cash out from crypto, cash out from gaming. And there's a lot of use cases where you just need to have all these endpoints to allow for ubiquity of these payments. In fact, I didn't mention cross-border. So remittances, sending money to family outside of the country you're in or allowing banks to offer corporate solutions that can pay expats that are living in different countries.

[\(20:29\)](#):

So for us, this disbursements and remittances piece grew about 30% from a transaction basis in 2023 actually over 30%. And I think just from a scale perspective, because your question earlier also, we have about 10 billion endpoints across the globe when you look across our cards are across our account-to-account capabilities as well as across just on cash-out locations.

Elisa Di Marco [\(20:52\)](#):

Yeah. I think what I find so interesting with the journey of MasterCard is how you've taken the success and learnings in the consumer traditional payment network and just really using that playbook. I know it's not easy at all, but it's that ubiquity in payments and that simplicity in payments, that's what really drives adoption. And it's such a focus for you, which is enabling that continued growth year after year.

Devin Corr [\(21:15\)](#):

You should do my job. We'll switch here. Say that again. Yes, I agree.

Elisa Di Marco [\(21:20\)](#):

Something I wanted to touch on, which I think is really interesting from my perspective, which I'm quite excited for the business, is that value-added services piece. Love for you to provide a little bit of context for the audience on why this is such a valuable part of the business going forward, and perhaps some of those examples that people don't even realise that MasterCard's actually powering parts of your digital wallets or internet banking that you currently use.

Devin Corr [\(21:45\)](#):

Yeah, fully agree. Services is one of the key pillars of our overall strategy. Why are we in it? It differentiates us, it diversifies our revenue. It's a high revenue growth driver. It's growing faster than

Core and it's a great source of talent, something you don't think about. We have a lot of people coming out of undergrad into consulting that to my journey earlier, can then move into other parts of the business. So it's really been a great asset for us or many assets for us.

[\(22:10\)](#):

We're very careful about the services we got into, many of which were around the transaction. But even in the recent past, go beyond that, to your point of people wouldn't understand ways... Because we think about solution selling. We think about going to our banks and saying, "Not only could we be your network, but we can help you grow your top line. We can help you find ways to save cost and we can help with a better consumer experience." But all of that in turn means more payment flow, means more data that comes back and feeds our services.

[\(22:36\)](#):

So it's very strategic going after that. It's how do we help win, but how do we help grow payments over time? So services and payments really play off of each other. We've talked about at our Investor Day in 2021, how 50% of the services at that time were driven purely by transactions. So back to your secular question, if we continue to believe there's a large opportunity in transactions, guess what? There's a tailwind for services. But when that happens, we get more data, that more data makes our services more powerful. Then our services, we can take that data, use our services to drive further core that brings more data, more need for fraud solutions. And it's a virtuous circle.

[\(23:11\)](#):

But if we think about, "Okay, what are our services?" I've talked about why we did it. We have a couple of big buckets. We have our cyber and intelligence business, that's the safety and security solutions, that's cyber protection solutions, that's AI-based fraud solutions, our identity and authentication solutions. Then there's our data and services business, which really has a bunch of different buckets underneath it. And here we say we help our customers make smarter decisions with better outcomes. But what's underneath there, there's marketing. So we can help our customers market to drive incremental spend to become early month on book, really grow over our portfolios. We have consulting. Consulting can help with payment strategy, it can help with implementations.

[\(23:52\)](#):

And we have groups that even look outside that and help customers think about, "How would I implement AI in the right way? How do I think about crypto or blockchain over time?" Data insights and analytics, which are benchmarking tools, can tell you about payment trends and whatnot and loyalty. And I think to your question, you asked about what are some specifics, right? So there are very transaction-based fraud type solutions. But beyond that, what are things that maybe MasterCard does that people wouldn't think about? So we talked about loyalty. So here in Australia, for example, we are the engine behind if you have a Westpac card with... I'm probably going to get these wrong. I think it's Altitude and hotpoints.

Elisa Di Marco [\(24:27\)](#):

Yeah.

Devin Corr [\(24:28\)](#):

So we're the engine behind that. And not just Westpac, but many other big issuers as well. So we're actually managing the points, the systems and the rewards associated with those programmes. Beyond that, we recently bought a company, this is two years ago now, called Dynamic Yield, and it's a personalization tool. So when you think of personalization, you think about, "When I go buy a pair of shorts, is it going to upsell me to a T-shirt?" Well, it is that and we're selling that direct to some

merchants. But also, back to your network point, once we look at buying some of these solutions, particularly if they're for merchants, it's: can we take that same solution and scale it across the network to issuers, to acquirers? In this instance, it continued to do what I just mentioned, but also can change your homepage.

[\(25:10\)](#):

So when you visit your bank's homepage, it might pop up, "I'm shopping for a house." It might pop up a mortgage homepage instead of a credit one. So just really making that consumer experience better. So it's helping our banks and our merchants have a better relationship with their consumer, which also makes it stickier for us, that relationship with the issuer winning portfolios. So here in Australia, if you go to your McDonald's app and you log in and you get upsold french fries with your hamburger, that's MasterCard. I think we power some of the promotions behind Myer department stores as well.

[\(25:40\)](#):

So we're behind the scenes in a lot of these associated payments type solutions. On the fraud side, maybe it's harder to feel from a consumer perspective, but we're checking identity before the transaction even happens. So as you're typing in your data at that merchant or with that issuer, we're behind the scenes checking: does the IP address make sense? Does the email address make sense? And trying to score that. Now, in the end, the issuer and the merchant will make a decision if they want to block, ask for a second form of authentication. But we're helping them inform that decision to some degree. And I know yesterday we talked about a solution called Consumer Clarity.

[\(26:15\)](#):

This one, I think, hits home for a lot of consumers just given it's a pain point. I don't know if it's live here in Australia. I probably should have checked before this, but we just launched it with Citi in the US, for example. And what this is, and it sounds really simplistic, but you know when you go onto your credit card app within your phone and you see a bunch of transactions and it's listed as \$100 dollars at SBX 2497 and you have no idea what that is? The solution, based off of an acquisition we made called Ethoca, is: we'll take that receipt and break it down to what is the real name of the merchant, potentially what is a map of where the merchant's located, and then can break down what's in that receipt.

[\(26:50\)](#):

So it's really just making for that better consumer experience, but also it's stopping what's called friendly fraud. And friendly fraud has a significant cost for merchants and for issuers. So if people were historically disputing a transaction that they made that was creating an issue... And there's a lot of what goes on behind the scenes, to your point of our network, we have all these dispute capabilities that enhance the conversation between the issuer and acquirer in that instance. But at the end of the day, if it's a transaction that was made, it shouldn't have been disputed.

[\(27:16\)](#):

So we're solving for that, but also making a better consumer experience. So there's a lot underneath there. It really powers our core. It's a high growth driver and a diversification. I probably should make one IR clarification point here. From our external reporting capabilities, we talk about value-added services and solutions, what I just talked about sits in value-added services. The other solutions are our account-to-account capabilities, it's our open banking, some of our digital identity, cross-border services. So there's more that sits in there. This conversation was specifically on the services.

Elisa Di Marco [\(27:49\)](#):

Thanks for that, and I think everyone would've found that quite interesting. You don't realise when you're opening your Westpac banking app that so much of what you're seeing doesn't actually come

from your bank. It's their trusted partner of MasterCard that continues to innovate to then provide a stronger customer relationship that you have with your bank. I'd like to pivot a little bit now.

[\(28:08\)](#):

So we've spent a bit of time now talking about the attractive growth opportunities. But the other part of how we invest here at Magellan isn't just about the growth; it's that protecting the business on the downside, that capital protection. So would like to just unpack risks for a moment here, and if you can help really explain to the audience for us of what are the risks that you're most concerned about as a business and how you go about managing them?

Devin Corr [\(28:31\)](#):

Yeah, sure. There's no risks, right? No, I'm just kidding. Don't quote me there. No, there's always risks in every business. To your point, it's how you mitigate them. I think the biggest ones we think about are one, regulation. It's for better or worse, something we live with at MasterCard because there is regulation, there'll continue to be regulation. We've lived with it, we will live with it. Some regulation is good. Think about things like blockchain. If there's more regulation, you might get that moving in a different direction.

[\(28:57\)](#):

What matters to us is that regulation creates a level playing field. Where it's not a level playing field, you can't compete. So if regulation goes a little bit too far, we have a big job ahead of us to ensure people understand the value prop and why a level playing field's needed. Because all the points we talked about earlier, competition's fine, and regulation is okay, as long as we can bring out the power of our network, which it's just great for consumers, it's great for issuers and acquirers, then we're okay competing. So it's a risk. We feel comfortable navigating it.

[\(29:28\)](#):

We have a public policy team not just sitting in the US, locally across the globe that's constantly talking about the value of the card proposition, what it means, the benefit for merchants, the benefit for consumers. So it's something that we live with but we're actively engaged on working through. It's when it becomes a non-level playing field that we're most concerned. Luckily, there's not a lot of that out there. We think about nationalism or localization, it's probably increased a little bit since the Russian-Ukraine war, for example. But it falls into the similar bucket, proving the value prop, but even more so proving that we can partner with governments and having the right conversation around how we can help them grow or manage the payments' ecosystem. And we can both benefit. That's the power of having a franchise model.

[\(30:11\)](#):

More people can connect, we can partner and we've done that with a number of governments across the world. So it's about continued education from a localization perspective. And there's other things that play into it. It's not just about cards. We own multi-rail assets. We have account-to-account assets. So we can show up at a government and have a conversation across the payments' ecosystem based on everything we have in our asset base to some degree. The other risk I'd probably call out is more internal, maybe something you wouldn't think about. But the good news is we're thinking about it, is making sure we continue to execute and we continue to innovate. It's really important that we stay ahead, and our network is best-in-class technology, and we remain cautiously paranoid to ensure that we are continuing to innovate over the long-term.

Elisa Di Marco [\(30:55\)](#):

Thanks for laying that out for us. I think one thing that I really appreciate and what you said is that you're a global business, but you need to address those potential regulatory risks at a local level. So thanks for that. I think we've been chatting for a while. So I think to close out today, I'd really like to talk about the future. Because when we are thinking about investing, it's not about necessarily the good things that you've done in the past. It's how can you keep doing that into the future and maintain that leadership advantage that you have in payments' innovation?" What are you most excited about? What is it that perhaps we don't know about that we should really be thinking about in the payment space and what's MasterCard doing about it?

Devin Corr (31:27):

So you're asking a finance person this question. So there's a lot of stuff we're investing in for the future to the point of we need to be ahead of the game. That's blockchain technologies, what that'll mean from a B2B perspective et cetera. AI, which I can talk a little bit about. But I think from a finance background, my most excitement is what we're launching now that's ready to scale, if that makes sense. So that's things like MasterCard instalments. We have it live here in Australia where you can actually use buy now, pay later-like instalments right within your credit card app.

(31:56):

If you think about how quickly that can scale because now you can use it at any merchant with your issuer, and issuers have it here in Australia. Things like biometric authentication. So in a card present environment, we've launched in LAC. We're now moving it to AP where you can literally check out at a grocery store with a smile or a wave, and it's a really safe and secure transaction. There's a new technology called FIDO technology, and that moves that same experience online. So there's a lot of transactions done online with just a password or not even a password.

(32:24):

We're moving to an area where that can be done using a face ID. So knowing that's Devin, buying a pair of shoes online, can be done quickly with a biometric authentication. Just makes it much more safe and secure and easy. You're not getting up to go type in your PIN number. It's making a much more simple solution. And of course, there's AI, right? I have to say, have to talk about AI. We've been investing in AI for over a decade. We have predictive AI that's supporting a lot of our products today: fraud solution, the personalization I mentioned, some of our insights and analytics. So it's something we're very involved in and it's across all of our products.

(32:57):

On a GenAI perspective, we're dabbling. So we're looking at how it can help with efficiencies. You think about deployment of code, you think about one of our loyalty solutions is actually offering call centres to our customers, and it can help with that. How can it help with forecasting? And we're dabbling in products as well. So we launched something called the Shopping Muse, which is an enhancement to our personalization tool. And what that does is it brings the in-person experience online.

(33:20):

So you can show up at a merchant who has this tool and type in, "Devin's going to a wedding in Bali. What should he wear?" And it'll pop up, white linen suit or whatever I'm supposed to be wearing to that. But it helps bring a colloquial conversation to that purchase environment. And it's just another way to enhance that consumer experience and in turn, hopefully, get more sales. So there's a lot of potential there. We're investing now, but we'll see where it goes. But I think a short story is there's so much opportunity ahead.

Elisa Di Marco (33:48):

Wow, there's a lot to be excited about, and I'm looking forward to trying out that Shopping Muse technology that you'll be rolling out. So thanks, Devin. We've had a great conversation today, and I think our audience will have learnt a lot. So thanks for taking the time to chat to us while you're in Sydney and safe travels.

Devin Corr ([34:10](#)):

Thank you so much. And honestly, really appreciate all of your support, long-term investment and look forward to continue the dialogue.

Elisa Di Marco ([34:10](#)):

Wonderful.

Devin Corr ([34:10](#)):

Awesome.

Elisa Di Marco ([34:10](#)):

Thanks.

Devin Corr ([34:10](#)):

Thank you.

Host ([34:11](#)):

That was MasterCard head of investor relations, Devin Corr in conversation with Magellan portfolio manager of Core Global and Core ESG, Elisa Di Marco. We trust you've enjoyed this episode. For more information on previous episodes, visit magellangroup.com.au/podcast where you can also sign up to receive our regular investment insights programme. Thanks for listening.
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