

MARKETS | DEALS

## Visa to Pay \$5.3 Billion for Fintech Startup

Plaid will help expand its access to financial-technology firms while accelerating its movement outside of cards, Visa CEO says



A deal would give Visa Plaid's software, which can access customers' bank-account data. PHOTO: KEITH SRAKOCIC/ASSOCIATED PRESS

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Updated Jan. 13, 2020 7:20 pm ET

Visa Inc. said Monday it would buy Plaid Inc. for \$5.3 billion, as part of an effort by the card giant to tap into consumers' growing use of financial-technology apps and noncard payments.

More consumers over the past decade have been using financial-services apps to manage their savings and spending, and Plaid sits in the middle of those relationships, providing software that gives the apps access to financial accounts. Venmo, PayPal Holdings Inc.'s money-transfer service, is one of privately held Plaid's biggest customers.

Visa is the largest U.S. card network, handling \$3.4 trillion of credit, debit and prepaid-card transactions in the first nine months of 2019, according to the Nilson Report. Its clients are largely comprised of banks that issue credit and debit cards, but the company is looking to expand its presence in the burgeoning field of electronic payments, where trillions of dollars are sent by wire transfer or between bank accounts globally each year.

On an investor conference call following the Monday announcement, Visa Chief Executive Al Kelly said the acquisition would help expand the company's access to financial-technology firms while accelerating its movement outside of cards. The deal was reported earlier Monday by The Wall Street Journal.

Visa last year acquired control of Earthport, which provides cross-border

payment services to banks and businesses, after rival Mastercard Inc. also made an offer for the company. Before that, Mastercard bought payment-technology firm Vocalink, which enables the movement of payments between bank accounts.

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These moves are essentially a way for the giant networks to diversify, preparing for the possibility that noncard-payment forms could one day replace their cards.

Card networks are concerned that consumer payments could move away from debit and credit cards to bank accounts, essentially allowing consumers to pay for products directly out of their bank accounts while bypassing so-called card rails altogether.

Bank-account payments also offer a way into business-to-business payments, a sector in which card companies have been trying to play a bigger role because it is viewed as untapped compared with consumer payments.

The deal could also help Visa address banks' concerns about security as more new players like Plaid gain access to their customers' information. It could boost Plaid's standing with banks that have been wary of the services it offers and clashed with fintech firms over their use of Plaid to access bank-customer account data.

Visa is paying a significant premium over Plaid's valuation of roughly \$2.65 billion in a 2018 funding round, though the purchase price still represents a rounding error for a company with a market value of some \$420 billion.

Both Visa and Mastercard had invested in Plaid as part of the \$250 million funding round.

Plaid was founded in 2012 by Zach Perret, who is its current chief executive, and William Hockey. Its other investors include venture-capital firms Andreessen Horowitz LLC and Kleiner Perkins.

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