

# THE NILSON REPORT

For 39 years, the leading publication covering payment systems worldwide.

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## VESTA PREPAID RELOADS

The 50 million Americans who bought \$18 billion in wireless airtime time last year purchased 75% of that amount over the counter at retail stores — mostly with cash but also with debit and credit cards. The other 25% was purchase online, at a call center, through the handset, or by way of scheduled payments using credit and debit cards or the ACH. Those transactions are either processed in-house or by Vesta, the industry's only third-party provider.

Vesta research indicates that half of all consumers who buy prepaid wireless products have at least one deposit account with a financial institution. The company handles all general purpose-type payment cards and ACH transactions using a hosted and managed service that delivers a customized front-end consumer interface and a back-end fraud management platform. Because it is so successful in managing fraud, Vesta indemnifies carriers against losses on all transactions it authorizes. Every major U.S. carrier uses Vesta to handle either its prepaid long-distance or prepaid wireless reloads initiated by card or the ACH. Of the approximately 50 million transactions Vesta processed last year for U.S. telecom carriers, over 95% were credit and debit cards and the remainder were ACH items. Reloads for wireless

accounts represent the majority of transactions, with prepaid long distance, which now accounts for less than 10% of the total prepaid market, making up the remainder.

Outside the U.S., Vesta provides the same payment processing services for wireless clients including China Mobile, China Unicom, and China Telecom in China, and Vodafone, O2, Tele2, Meteor Mobile, and Yoigo in Europe. In China, its KPay division operates POS terminals at a network of more than 2,000 retailers, where it acquires payments initiated by more than 25 million prepaid transportation cards issued by the Beijing city government. Vesta handles approximately 20 million transactions in Europe and China last year. Prior issues: 921, 898, 851, 850, 802, 800, 791, 785, 763, 675

NetSpend, a U.S.-based prepaid card service manager that sells Visa and MasterCard cards through a network of 92,000 U.S. retailers, is Vesta's first financial services industry customer. Vesta is indemnifying NetSpend against all fraud on Visa, MasterCard, and ACH transactions. NetSpend sees the Vesta reload capability as helping to realize its ambition to become a bank-like alternative provider of recurring payments support for the 43 million underbanked and 17 million

unbanked consumers in the U.S.

NetSpend research indicates that 85% of the buyers of its prepaid products are active Internet users, 50% have more than two years of college, and 50% have annual incomes greater than \$40,000. A team at NetSpend has used Vesta and other new features introduced over the last year to add more than 2,000 new accounts a day. These new prepaid customers make NetSpend their primary financials services account and load an average of \$500 a month using direct deposit through the ACH. Daniel Henry is CEO at NetSpend in Austin, Texas, (512) 531-8780, dhenry@netspend.com. Prior issues: 927, 923, 917, 911, 907, 906, 898, 892, 886, 885, 858, 850, 846

Vesta and NetSpend are privately held and Oak Investment Partners is the lead investor in both. Oak is also the lead investor in Acculynk and Argus Information & Advisory Services. It held a majority equity position in Harbor Payments when that company was sold to American Express in 2008. Oak also had an investment in the payments division of CBord, which was sold to Roper Industries in 2008.

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