

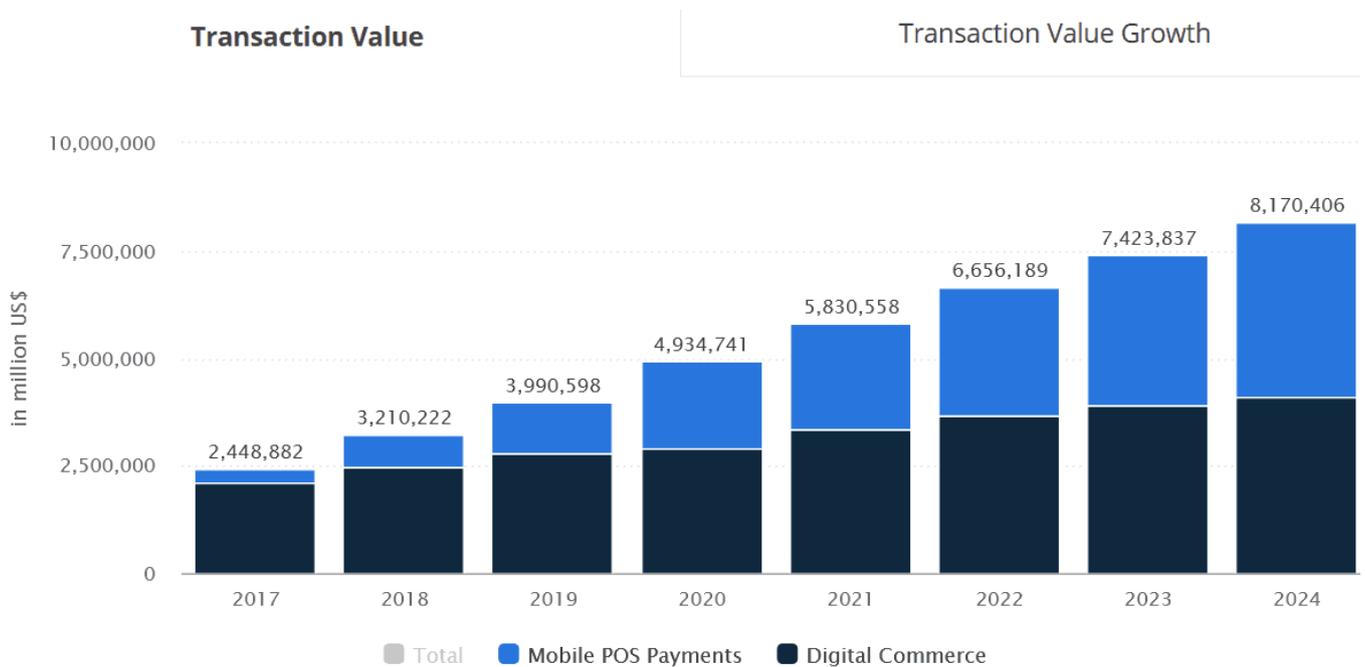
# The digital payments sector will potentially be a big winner post COVID-19

2020 has been a very tough year as the COVID-19 pandemic ravaged the world. This has resulted in many new habits such as working from home, shopping online, and switching away from cash to digital payments. Digital payments refers to online payments or payments made by electronic means.

The digital payments companies make a small percentage (typically 1-2%) of every sale, paid for in most cases by the seller. This small percentage starts to add up when trillions of dollars of e-commerce occur.

## Forecasts for the digital payments sector

- Statista – The Global Digital Payments sector is forecast to grow from US\$4.9 to US\$8.2 trillion, at a CAGR of 13.4%, from 2020-2024. US to grow at a CAGR of 14.5%.
- Global Online Payment Methods 2020 and COVID-19's Impact report – Consumers' payment behavior is changing as a result of the coronavirus outbreak. **Almost 50% of global shoppers were using digital payments more than before the pandemic with the majority planning to continue doing so after Covid-19 is contained.**
- Global mobile Point Of Sale [POS] payments are forecast to grow much faster than digital commerce from 2020 to 2024 (combining both they are forecast to almost double from 2020 to 2024).



## Source

For investors the opportunity is to buy into the fast growing digital payments sector now given we should get a strong post Covid-19 economic recovery where consumers go back to spending strongly with some newer habits of paying digitally and not with cash.

## Some ways to invest in the digital payments sector

The simplest way to invest in the sector would be to choose a digital payments ETF such as "IPAY". IPAY is the ticker for ETFMG Prime Mobile Payments ETF. The IPAY fund is passively managed by the ETF Managers Group LLC (ETFMG) as it tracks the Prime Mobile Payments Index. The index provides a benchmark for investors interested in tracking the mobile and electronic payments industry globally; focusing on credit card networks, payment infrastructure and software services, payment processing services, and payment solutions (such as smartcards, prepaid cards, virtual wallets).

The IPAY ETF currently holds 41 stocks and has an expense ratio of 0.75% pa. The IPAY fund has a heavy US country exposure (75.9%,) based on company's headquarters, noting most

of the US companies have global operations.

The top ten current holdings include Square Inc. (SQ) (7.02%), Paypal Holdings (PYPL) (6.01%), American Express (AXP) (5.93%), Visa (V) (5.38%), Fidelity National Information Services Inc. (FIS) (5.33%), Mastercard Inc. (MA) (5.2%), Global Payments (GPN) (4.87%), Adyen NV (Amsterdam: ADYEN) (4.86%), and Worldline (Paris: WLN) (4.11%).

The fund was negatively impacted in March 2020, as was the entire market, due to the COVID-19 lockdowns. Despite this the fund has returned 23.38% in the year to date. The IPAY fund trades on an average weighted PE ratio of 32.2, while not cheap it appears reasonable if the sector lives up to its growth expectations.

### The ETFMG Prime Mobile Payments ETF (IPAY) stock price performance since inception



Source

The other way to play the expected digital payments boom is to buy the individual stocks. Any of the top ten mentioned above

looks reasonable.

The other related area to consider is that of fintech innovation. This can include digital payments as well as other types of fintech innovation such as digital banks/neobanks (often using digital wallets/apps) offering purely online products (loans, investment, insurance etc), blockchain, and even the cryptocurrencies.

InvestorIntel is happy to hear from readers and industry players with ideas on who might be some possible stock winners in the digital payments or fintech innovation sectors.