

# Euromonitor's Classification for the Digital Payments Economy

## Industry Classification

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## 1. ABOUT US

Established in 1972, Euromonitor International (“Euromonitor”) is the world leader in strategy research for both consumer and industrial markets. Comprehensive international coverage and leading-edge innovation make our products essential resources for companies large and small, national and global. With offices around the world and analysts in 80 countries, the company is a leading provider of global market intelligence. Our products and services are held in high regard by the international business community and we have 5,000 active clients, including 90% of the Fortune 500 companies.

## 2. DIGITAL PAYMENTS ECONOMY

### 2.1 INTRODUCTION

The global payments landscape is transforming rapidly. A surge in online and mobile commerce among consumers and businesses is generating unprecedented levels of digital payment transaction volumes globally. Business acceptance of contactless payments, and increasingly, consumer adoption of alternative payment methods is causing a decline in the use (and by extension, the role) of cash. In many emerging markets, digital wallets have already eclipsed cash, and created entirely new digital payment ecosystems. Parallel payment rails are also being developed, most notably with Decentralised Finance (DeFi), through digital currencies, blockchain and crypto currencies. This new architecture has the potential to shake the very foundations of our globalised payment networks, which have underpinned the financial economy for much of the last century. With system-wide disruption, key stakeholders are now developing digital-first payments technologies, software and processing solutions and infrastructure and services that will lay the foundations for the 21<sup>st</sup> century digital payments economy. This economy will include new modes and form factors that are better suited to our digital lifestyles and will also help broaden the surface area of financial services across new markets and untapped populations. By putting bank accounts directly in our pockets – via digital wallets – this economy will create better experiences, and bring ease and flexibility to our financial lives while improving access and reach as well. As the digital payments ecosystem grows over time, spurred by the ongoing FinTech revolution, we expect a new economy of companies to emerge that will define and enable the financial services of tomorrow.

### 2.2 STOCK UNIVERSE

Euromonitor launched the Digital Payments Economy Stock Universe (“**Stock Universe**”) in April 2021.

The Stock Universe follows a classification methodology developed by Euromonitor for the research and investment communities with the objective of mapping publicly traded companies involved in the digital payments economy. To be included in the Stock Universe, companies must trade on a regulated exchange, exhibit certain free float characteristics and provide products and/or services related to digital payments.

Each company in the Stock Universe is first identified and selected using Euromonitor’s in-house touch point assessment, and then carefully analysed and classified within one of the Sub-Sectors defined in Section 2.3 below.

Each company in the Stock Universe is also thematically scored for its thematic purity. Each company’s thematic purity is a function of its reported revenue from digital payments related

business activities. Companies with greater reported revenue receive a higher score, whereas companies with lower reported revenue receive a lower score.

The Stock Universe is reviewed and updated twice per annum. As of April 2021, the Stock Universe contained 141 companies.

**Euromonitor does not accept payment from companies or third parties (acting on behalf of such companies) for inclusion into the Stock Universe.**

## 2.3 SUB-SECTOR TAXONOMY

Within the Stock Universe, companies are grouped according to a sector taxonomy (“**Sub-Sectors**”) based on their digital payments related business activity. Where companies are engaged in business activities across multiple Sub-Sectors, their reported revenue mix is reviewed with the objective of classifying them within the Sub-Sector that provides the greatest share of their reported revenue.

Companies are currently classified within one of the following five Sub-Sectors:

### Card Payment Networks

Companies in this Sub-Sector act as intermediaries, providing a communications network that facilitates and authorises card payment transactions (including credit/debit cards and prepaid cards) between consumers, merchants, processors, and financial institutions. Card Payment Networks actors play in an important role in supporting digital payment modes. This Sub-Sector is not inclusive of companies that issue credit cards as part of financial service activities, this is part of the sub-sector Payment Services and Solutions Providers. Examples of companies in this Sub-Sector include Visa Inc and Mastercard Inc, which are payment networks that authorise and clear substantial volumes of payment card transactions.

### Payment Processors

Companies in this Sub-Sector provide payment transaction processing solutions to complete digital payment transactions between merchants (retailer) and financial institutions. Examples include Point-of-Sale (PoS) payment processing or online card payment transaction processing. Examples of companies in this Sub-Sector include Shift4 Payments Inc, which provides a payment platform for omni-channel card acceptance and processing solutions, including end-to-end payment processing for businesses in the retail, hospitality, leisure and restaurant industries, and Repay Holdings Corp, which provides payment processing solutions such as credit and debit processing, automated clearing house processing, and instant funding.

### Payment Infrastructure Providers

Companies in this Sub-Sector focus primarily on providing digital payment equipment and hardware devices and/or software technology. This includes, for example, bar-code scanning devices, QR readers and physical payment terminals. Such hardware devices facilitate the interface link of digital payment methods (example credit card, digital wallets, and payment apps) between merchants and consumers. Examples of companies in this Sub-Sector include PAX Global Technology Ltd, which is engaged in the development and sale of electronic funds transfer PoS products worldwide, or Bill.com Holdings Inc, which is a provider of cloud-based software that automates back-office financial operations for small and mid-size businesses.

### Payment Services and Solutions Providers

Companies in this Sub-Sector provide digital payment services and solutions. Digital payment services and solutions include, but are not limited to, any one or more of the following: online bill payments, digital payment wallets, e-payments, payment gateway services and mobile payment services. An example of a company in this Sub-Sector is PayPal Holdings Inc, which enables digital and mobile payments on behalf of consumers and merchants worldwide through its various payment solutions that include, but are not limited to, Braintree, Venmo, Xoom, Hyperwallet, and iZettle. Another example of a company in this Sub-Sector is Worldline SA, which via its Merchant Services division offers commercial acquiring, terminal, omni-channel payment acceptance, digital retail and merchant wallet services.

### Digital/Crypto Currency Pioneers

Companies in this Sub-Sector provide digital/crypto asset and/or blockchain-focused services comprising digital/crypto currency exchange platforms, wallet services, payments and infrastructure solutions and/or blockchain-focused services. Digital/crypto payment usage and acceptance is expected to increase as financial regulation around digital/crypto currency ownership and use as a payment medium grows. Examples of companies in this Sub-Sector include Coinbase Global Inc, which operates a crypto currency exchange and payments platform, and Silvergate Capital Corp, which provides financial and blockchain-focused infrastructure solutions and services to participants in the expanding digital/crypto currency industry. Finally, this Sub-Sector does NOT currently include companies that are bitcoin miners and/or companies providing the “picks and shovels” that enable the mining of bitcoin and/or other crypto currencies.

**Euromonitor reserves the right to add additional Sub-Sectors as the Stock Universe evolves. Existing Sub-Sectors may also be renamed as required.**

## 2.4 THEMATIC SCORE

For each company in the Stock Universe, Euromonitor calculates a unique and proprietary thematic score (“**Thematic Score**”). Each company’s score is a reflection of its thematic purity to digital payments. Thematic Scores are calculated by quantifying a company’s reported revenue from business activities relating to digital payments sub-sectors, including, Card Payment Networks, Payment Processors, Payment Infrastructure Providers, Payment Services and Solutions Providers and Digital/Crypto Currency Pioneers.

Each company’s Thematic Score is determined by using publicly available data provided by the company through its published annual financial statements, company presentations and/or official earnings press releases – and if required, through direct engagement with the company should clarification be required with respect to publicly available data. The calculation of each company’s Thematic Score is supported by the Euromonitor Research Team to account for a company’s primary product and/or service level type, maturity and market leadership, among other business considerations.

- **Level 1 Score** – Euromonitor has determined that the company derives less than 20% of its reported revenue from the digital payments economy, or no specific revenue data is reported or available which can verify the extent of the company’s revenue link to the digital payments economy.
- **Level 2 Score** – Euromonitor has determined that the company derives between 20% and 40% of its reported revenue from the digital payments economy.
- **Level 3 Score** – Euromonitor has determined that the company derives between 40% and 60% of its reported revenue from the digital payments economy.
- **Level 4 Score** – Euromonitor has determined that the company derives between 60% and 80% of its reported revenue from the digital payments economy.
- **Level 5 Score** – Euromonitor has determined that the company derives between 80% and 100% of its reported revenue from the digital payments economy.

### **3. REVIEW AND OVERSIGHT**

The Stock Universe, Sub-Sectors and Thematic Scores are reviewed twice per annum, in June and December.

During each semi-annual review session, Euromonitor will add and/or remove companies to and/or from the Stock Universe by reference to their most recent public filings. Any new companies will be assessed, scored and classified according to their most relevant Sub-Sector. Existing companies will also be reassessed to determine if any updates are required.

Semi-annual reviews are conducted by the Euromonitor Research Team.



## **4. APPENDIX**

For further information, please contact Euromonitor by email on [info@euromonitor.com](mailto:info@euromonitor.com).