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PAYPAL CONFIRMS E-COMMERCE RISE

More than three-quarters of S&P 500 companies have reported in this earnings season. Due to the COVID-19 crisis, it is rare to find companies delivering positive outlook for the upcoming quarters. Technology and healthcare are among the few industries that have reported positive surprises on average.

Yesterday, several of our top holdings released encouraging messages about their future activities given the current situation – e.g. Twilio (AI & Robotics portfolio) or Fortinet (Security & Space portfolio). In this note, we would like to comment on another company that benefits from the COVID-19, PayPal. The company is one of the top convictions of our Mobile Payments portfolio and a component of our Fintech portfolio.

PayPal has achieved a top-line CAGR of 18% over the last three calendar years. The company was on track to pursue its steady pace at the beginning of the year, with Total Payment Volume (TPV) increasing by 24% in January and 28% in February. The coronavirus outbreak initially decelerated revenue growth as TPV rose by “only” 8% in March. A slowdown in travel and events spending are the major reasons for this slowdown.

PayPal processed \$191bn of volume over the first quarter of the year. Growth bounced back in April, reaching again 22% and implying a YoY revenue growth of 17%. The firm is expecting a YoY revenue growth of 15% for Q2-2020. Should be noted is that PayPal experienced the largest single day of transactions in the company’s history on 1 May 2020 – more than Black Friday or Cyber Monday 2019.

The number of new users matched the growth in revenue. In April 2020, a staggering number of 7.4mn subscribers joined the payment service. Knowing that in a typical quarter approximately 9.5mn new users join the PayPal service, the April numbers speak for themselves.

PayPal has now more than 330mn active accounts and pursue its 1 billion users global goal by primarily expanding outside the U.S. In addition to its strong network of merchants and consumers, the company is driving growth from partnerships with e-commerce platforms, banks, and payment networks.

The good results of the company confirm our thesis that COVID-19 is accelerating e-commerce adoption. E-commerce accounts for approximately 20% of total retail sales, where there is still a lot of room to grow.

Online consumption habits have been modified by the coronavirus, with a surge in food, fashion, gaming, or home & garden products. According to Emersys, online sales of US retailers doubled in April compared to 2019. In APAC, where the control measures started to be eased, e-commerce activities surged by more than 50% compared to 2019.

In a world where social distancing is becoming the norm, we strongly believe that e-commerce will continue its growth. People are modifying their consumption and payment habits. Our mobile payments and Fintech portfolios are well positioned to capture this trend.

■ Fintech



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■ Mobile Payments



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