

Q1 2025 WALLET™ Index Update

Digital Payments News/Insights

- The total transaction value in the global digital payments market is expected to reach \$20.4 trillion USD in 2025. During the period 2025-2029, the total transaction value is expected to show an annual growth (CAGR) of 15.9%, resulting in a projected total amount of \$36.8 trillion USD by 2029. This growth is predicted to be spearheaded by the Digital Commerce market segment, with an expected contribution of \$20.09 trillion USD in 2024. When looking at the industry through a global lens, the country with the largest market for digital payments is China with a cumulative transaction value of \$9.3 trillion USD. The United States trails behind with a transaction value of \$3.15 trillion USD¹.
- In Q4 2024, retail e-commerce sales in the United States reached over \$308.9 billion USD, up 2.7 % from the previous quarter. According to U.S Census data, by the end of 2024, e-commerce sales reached \$1.2 trillion and made up 16.1% of total retail sales in the country². The industry is on track to continue to dominate the digital payments landscape, estimated to generate \$1.3 trillion USD by the end of 2025 and \$1.5 trillion USD by the end of 2029³.
- According to a study conducted by WorldPay, global ecommerce fraud is increasing, with losses expected to exceed \$343 billion in the five-year period ending 2027. The US has trailed other countries in Europe and Asia in advanced identity authentication, with the market more fragmented and slower to upgrade to new standards. An increase in AI-enabled fraud has resulted in higher investments in security solutions. Payment providers are working to make passkey technology more seamless. Discover, for example, recently introduced Discover Enhanced Decisioning, which quickly authenticates data that confirms a customer's identity⁴.
- Embedded payments have been widely adopted by enterprise companies, with small and medium-sized businesses (SMBs) and midmarket businesses recognizing the opportunity. Enterprises include those companies with \$1 billion or more in revenue; midmarket businesses include those companies with \$50 million and \$1 billion in revenue and SMBs include those up to \$50 million in revenue. 3 out of 4 (76%) of enterprise-sized businesses report more than five years of experience using embedded payments. Meanwhile, SMBs (82%) and midmarket companies (63%) are more likely to increase or significantly increase their investments in the coming year⁵.
- Digital payments network Zelle has shut down its mobile app as of April 1st. Only 2% of total transactions took place via its app, with most customers using their bank or credit union to send money to their contacts. The move is also seen as an attempt to improve fraud detection, since the company has been a target for scammers⁶.

¹ <https://www.statista.com/outlook/fmo/payments/worldwide?currency=USD>

² https://www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf

³ <https://www.statista.com/outlook/emo/ecommerce/united-states>

⁴ https://cdn.bfldr.com/ZGS6MXDP/at/bnpb326vktcgh75f8fpxkf/2025-PaymentTrends-Report_Final

⁵ https://cdn.bfldr.com/ZGS6MXDP/at/bnpb326vktcgh75f8fpxkf/2025-PaymentTrends-Report_Final

⁶ <https://www.nbcchicago.com/news/local/popular-digital-payment-service-zelle-to-shut-down-mobile-app/3714554/>

- The US Consumer Financial Protection Bureau (CFPB) finalized a rule to supervise big technology firms operating digital wallet and payment applications in consumer financial markets. The rule will help CFPB ensure that these companies, specifically those handling more than 50 million transactions per year, follow federal law just like other large banks, credit unions and other financial institutions already supervised by CFPB. The regulator will supervise these companies in three key areas including data collection, data sharing, handling of disputes and fraud, and service disruptions and debanking⁷.

Industry Trends in 2025

Rise of cross-border payments⁸

- Cross-border payments are expected to experience massive growth, driven by increased international trade, e-commerce and digital payment solutions. The market is expected to expand to over \$250 trillion by 2027, according to the Bank of England.
- The next few years are expected to see a continued rise in cross-border payment options, with fintech platforms offering solutions that compete with banks.
- Additionally, the rise of digital platforms and technologies like blockchain and AI are expected to play a significant role in shaping the future of cross-border payments.

Increased adoption of digital payments infrastructure⁹

- Digital Public Infrastructure (DPI) has transformed markets like India, Brazil and Estonia and is expected to transform other emerging economies including Indonesia, Nigeria and Peru.
- DPI offers streamlined payment systems with lower transaction fees and fewer barriers to entry. Businesses that adopt DPI will have to make sure they comply with new regulatory frameworks.

Implementation of Central Bank Digital Currencies (CBDCs)¹⁰

- Over 90% of central banks are implementing or considering implementation of CBDC projects. They are expected to provide an alternative to commercial stable coins, ensuring that the digital currency landscape remains transparent.
- Central bank digital currencies can streamline payments, reduce costs and promote innovation in the financial sector. Additionally, it could potentially influence monetary policy transmission and financial stability.

Rise in payment orchestration platforms

- Payment orchestration platforms are poised to become more important than before. They provide a way to manage multiple payment providers, methods and channels through a single interface. They

⁷ <https://www.consumerfinance.gov/about-us/newsroom/cfpb-finalizes-rule-on-federal-oversight-of-popular-digital-payment-apps-to-protect-personal-data-reduce-fraud-and-stop-illegal-debanking/>

⁸ <https://aps.money/blog/5-payment-predictions-for-2025/>

⁹ <https://aps.money/blog/5-payment-predictions-for-2025/>

¹⁰ <https://aps.money/blog/5-payment-predictions-for-2025/>

allow businesses to optimize their payment stack, routing transactions through the most cost-effective and reliable providers¹¹.

- As the payment landscape becomes more complex, these platforms are likely to become more essential to simplify operations¹².

Rise in the need for digital security

- As digital payment tools become ubiquitous, there has become an increase in the need for digital security tools. Businesses are investing to bring to the market new tools that can protect against fraud. They are investing in advanced authentication methods such as biometrics and behavioral analysis, AI and machine learning algorithms¹³.

Rise of AI¹⁴

- Using generative AI, machine learning and pay-by-palm, certain Amazon consumers can now speed through in-store checkout with more accurate fraud detection capabilities. AI-powered technology is authenticating the customer's identity and processing payments, providing a frictionless experience for customers.

Rise of Embedded Payments¹⁵

- The global market for embedded payments is expected to surpass \$138 billion in the five-year period ending 2026, more than a threefold increase. Consumers can make a purchase without leaving their website, social media channel or mobile app.
- Embedded payments are expected to gain more momentum in 2025 and beyond. It is expected to drive repeat sales, promote better cash management and enable seamless reconciliation and reduce payment error.
- Embedded payments also foster greater brand loyalty. Companies can create better brand experiences and deeper connections.

WALLET Index Q1 Performance (Total Returns)

- In Q1, WALLET was down 8.25%, below last quarter's returns of 12.07%.
- For the 12-month period ending March 31, 2025, WALLET generated total returns of 2.63%. This compares to a gain of 22.45% for the MSCI World Financials Index.

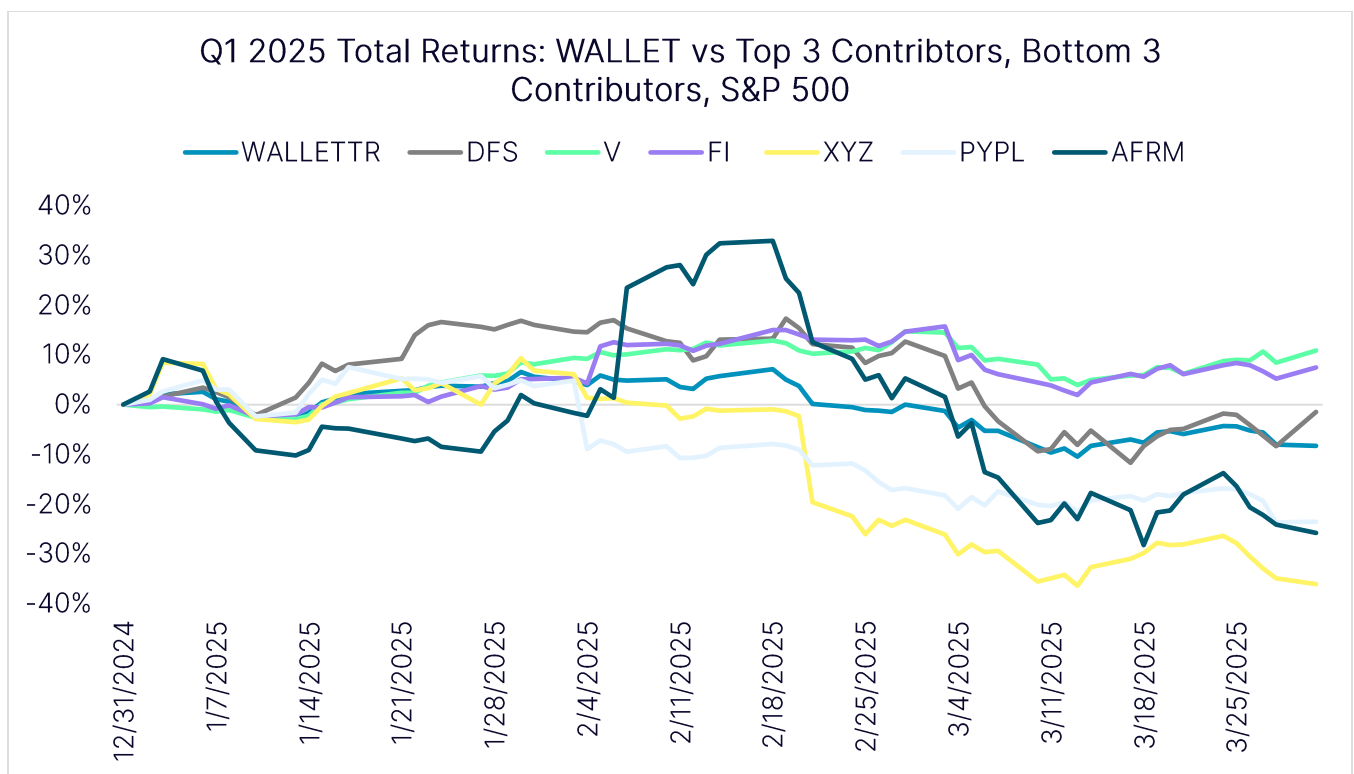
¹¹ <https://www.globalpayments.com/commerce-payment-trends>

¹² <https://www.globalpayments.com/commerce-payment-trends>

¹³ <https://www.globalpayments.com/commerce-payment-trends>

¹⁴ <https://www.globalpayments.com/insights/2023/10/04/ais-vital-role-in-payments-and-commerce>

¹⁵ <https://www.globalpayments.com/commerce-payment-trends>



Source: Bloomberg

Note: Discover Financial Services (DFS) was removed from the index on February 19, 2025 due to its pending acquisition by Capital One.

Top 3 Contributors to WALLET Index Performance in Q1 2025

Company	Symbol	Wallet Contribution Percentage	Average Wallet Weight (%)	Q1 Total Returns (12/31-03/31)	2025 Total Returns
Discover Financial Services	DFS	0.56%	2.58%	-1.1%	-1.1%
Visa	V	0.56%	6.53%	11.1%	11.1%
Fiserv	FI	0.33%	6.23%	7.5%	7.5%

Source: Bloomberg

Top 3 Contributor Q1 2025 Reported Earnings Insights

Discover Financial Services (DFS)^{16,17}

- The stock was down 1.1% for the period December 31, 2024 – March 31, 2025

¹⁶ https://s23.q4cdn.com/669804705/files/doc_financials/2024/q4/Fourth-Quarter-2024-Earnings-Press-Release.pdf

¹⁷ https://s23.q4cdn.com/669804705/files/doc_financials/2024/q4/Fourth-Quarter-2024-Earnings-Presentation.pdf

- The stock rose in the first half of the quarter on the heels of a successful fourth quarter, with loan growth, margin expansion and credit improvement leading to a strong financial performance.
- The company reported Q4 revenues of \$4.76 billion versus estimates of \$4.46 billion and Q4 diluted, adjusted EPS of \$5.11 versus estimates of \$3.58.
- It also announced its merger with Capital One. It was removed from Wallet on February 19, 2025 in anticipation of the merger and in accordance with the index rules.

Visa (V)^{18,19,20}

- The stock was up 11.1% for the period December 31, 2024 – March 31, 2025
- The stock rose on the heels of a strong quarter, characterized by accelerating volume growth, which resulted in a positive revision to the FY 2025 organic revenue outlook.
- The company reported revenues of \$9.5 billion versus estimates of \$9.35 billion. Global FXN volume growth grew, up by 9%, with U.S. volumes growing at 7%. Fully diluted, adjusted EPS came in at \$2.55 versus estimates of \$2.63.

Fiserv (FI)^{21,22}

- The stock was up 7.5% for the period December 31, 2024 – March 31, 2025
- The stock rose on the heels of better-than-expected earnings and revenue guidance that came ahead of estimates.
- The company reported diluted, adjusted EPS of \$2.02 in the quarter, exceeding estimates of \$2.48 and revenues of \$5.25 billion versus estimates of \$4.96 billion. It also expects revenue growth of 10-12% versus estimates of 8%.
- Clover revenue jumped 29% from the previous quarter a year ago and reached \$2.7 billion in the year 2024.

Bottom 3 Contributors to WALLET Index Performance in Q1 2025

Bottom 3 Contributors	Symbol	Wallet Contribution Percentage	Average Wallet Weight (%)	Q1 Total Returns (12/31-03/31)	2025 Total Returns
Block	XYZ	-1.67%	4.23%	-36.1%	-36.1%
Paypal Holdings	PYPL	-1.40%	5.72%	-23.6%	-23.6%
Affirm Holdings	AFRM	-1.37%	4.74%	-25.8%	-25.8%

¹⁸ <https://d18rn0p25nwr6d.cloudfront.net/CIK-0001403161/d1cc94cc-f841-4e25-b135-933c89e850be.pdf>

¹⁹ https://s1.q4cdn.com/050606653/files/doc_financials/2025/q1/Visa-Inc-First-Quarter-2025-Financial-Results-Presentation.pdf

²⁰ https://s1.q4cdn.com/050606653/files/doc_financials/2025/q1/CORRECTED-TRANSCRIPT_-Visa-Inc-V-US-Q1-2025-Earnings-Call-30-January-2025-5_00-PM-ET.pdf

²¹ <https://investors.fiserv.com/sec-filings/all-sec-filings/content/0000798354-25-000047/fi-20241231.htm>

²² https://d1io3yog0oux5.cloudfront.net/_8b978e69d271328371af8b1e1c29c0bf/fiserv/news/2025-02-05_Fiserv_Reports_Fourth_Quarter_and_Full_Year_2024_101.pdf

Source: Bloomberg

Block (XYZ)^{23,24}

- The stock was down 36.1% for the period December 31, 2024 – March 31, 2025.
- The stock came under pressure, as fourth quarter revenue and earnings came below expectations.
- Revenues came in \$6.03 billion, less than estimates of \$6.3 billion. Net income came in at \$1.95 billion while adjusted earnings came in at 49 cents versus 34 cents from a year ago.
- For the full year, Block expects strong profit growth of at least 15%, with growth for Cash App and Square expected to improve meaningfully in the second half of 2025.

Paypal Holdings (PYPL)^{25,26}

- The stock was down 23.6% for the period December 31, 2024 – March 31, 2025
- The stock came under pressure as investors were disappointed with branded total payment volume growth, a metric correlated to long-term investor sentiment.
- Additionally, there was some confusion about messaging on U.S. versus international branded trends. The company pointed to several headwinds impacting the FY 2025 outlook.
- Branded volume growth did not accelerate in 4Q 2024 despite strong 3rd party ecommerce data.
- TPV, revenue growth and adjusted EPS came in ahead of estimates. Additionally, guidance calling for transaction margin growth of 4-5% year-over-year and adjusted EPS growth of 6-10% came in ahead of expectations.
- Revenues came in at \$8.4 billion, up 4% from a year earlier, while analysts were looking for \$7.8 billion. Diluted adjusted EPS came in at \$1.2, up 5% from the previous year and above estimates of \$1.07.

Affirm Holdings (AFRM)^{27,28,29}

- The stock was down 25.8% for the period December 31, 2024 – March 31, 2025.
- The stock came under pressure due to news that Klarna secured exclusive buy now, pay later (BNPL) rights at Walmart, raising concerns that the company might lose market share. Additionally, recession fears and inflation worries have weighed on the broader payment landscape.
- The company reported revenues of \$1.3 billion in revenue versus estimates of \$807 million a year ago and earnings of \$1.11 per share versus \$0.35 per share from previous year.

²³ https://s29.q4cdn.com/628966176/files/doc_financials/2024/q4/Prepared-Remarks_4Q24_Block.pdf

²⁴ https://s29.q4cdn.com/628966176/files/doc_financials/2024/q4/bc6dab01-b430-4b1d-ac7b-0e6b96903592.pdf

²⁵ https://s205.q4cdn.com/875401827/files/doc_financials/2024/q4/ce09b590-7f74-448a-9616-a9817693b50e.pdf

²⁶ https://s205.q4cdn.com/875401827/files/doc_financials/2024/q4/PYPL-4Q-24-Earnings-Presentation.pdf

²⁷ <https://investors.affirm.com/>

²⁸ <https://investors.affirm.com/static-files/c08ea9a8-f0ac-4279-8201-5e2663b7f09f>

²⁹ <https://investors.affirm.com/static-files/305d989b-c655-43c6-bfd9-f2852331106d>

- Gross merchandise value (GMV) and revenue growth of 35% and 47% year-over-year, both exceeding expectations. Gross merchandise value topped \$10 billion for the first time, and topped estimates of \$9.64 billion.

Sources: Nasdaq Global Indexes, Bloomberg, FactSet

The Nasdaq CTA Global Digital Payments™ Index (WALLET™) is tracked by the Amplify – Mobile Payments ETF (IPAY).

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