

Leverage the Future—Investment in Digitization

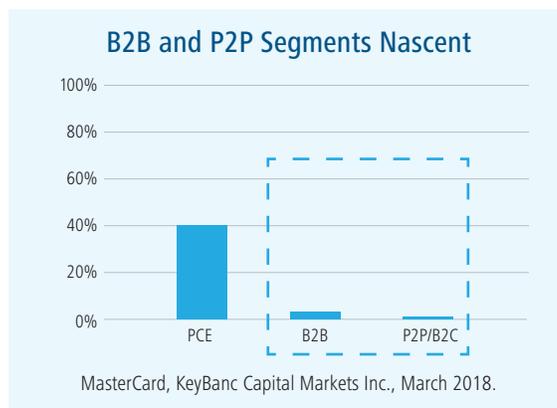
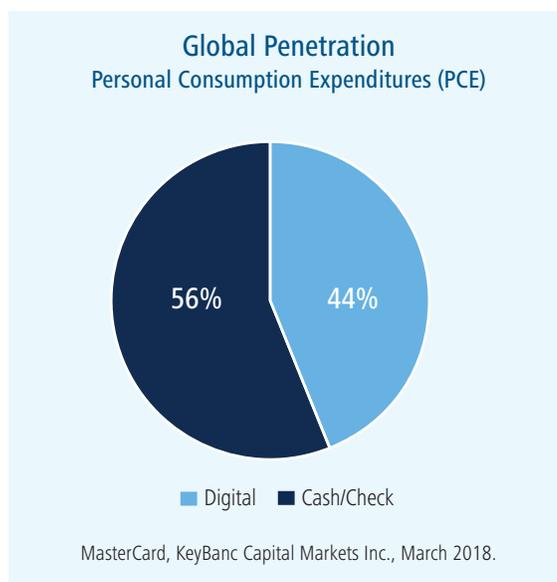
The Mackenzie Growth Team looks for high-quality businesses that will benefit from secular tailwinds. As the Team has been reducing investments in cyclical companies to lower the portfolio’s beta, they have been focused on businesses with innovative technological advantages. Investment in digitization is a key secular growth driver that is leading to investment opportunities in the U.S. mid cap space. Companies across the globe are increasing their spending on IT to maintain their relevance.

One of the digitization areas undergoing massive change is digital payments technology. Changes in demographics, globalization, and e-commerce are all driving evolution within the electronic payments arena. As shown by the chart to the right, personal consumption transactions across the globe are mainly still completed using traditional payment methods (cash/check). Despite the proliferation of digital payments across millennial consumers and in many developed countries, there is still room for growth.

Many developing countries still have substantial room for digital payments to grow, as they transition from a cash-based economy to a more digital economy.

Moreover, merchants in developed countries are increasingly offering digital payment methods to enhance customer service and speed up payment processing. Changes in the way consumers want to pay (i.e. contactless payments) are driving investments in digital payments technology.

While global digital penetration of personal consumption expenditures is over 40%, Business to Business (B2B) and Person to Person (P2P) segments remain low. Transactions between businesses are harder to digitize, as these types of transactions require additional technology to assign invoice details to payments for recordkeeping. However, this could be a future area of expansion for companies looking to take advantage of the ample runway for growth in the B2B space.



FUND INSIGHTS

Worldpay, one of the Fund’s core holdings, is a payment processing company that provides an integrated technology platform. It offers payment processing services through a single provider including e-commerce and mobile devices. The firm is helping companies across the world adopt digital technology to help meet their business goals and enhance their client experience and customer base. Worldpay mainly caters to larger businesses, and is continuing to expand globally.

There are three main catalysts for Worldpay’s continued growth:

- E-commerce expansion** – As consumers increasingly lean towards online shopping, firms must provide improved digital payment processing capabilities. The volume of transactions is increasing as companies are able to increase their customer base in areas where they do not have a physical presence. Global retail e-commerce sales worldwide grew from 1.34 trillion USD to 2.30 trillion in 2017, and are expected to grow to 4.88 trillion by 2021¹.
- Low digital transaction penetration in mature sectors** – A recent McKinsey Global Institute (MGI) study showed low digitization of transactions in service sectors (such as Government, Health Care, Hospitality, Construction) relative to other sectors in the U.S.². These mature industries may offer greater growth potential for digitization of transactions.
- Traditional e-commerce outpacing point-of-sale (POS) spending 2x**, and mobile commerce is much greater than POS. As more and more customers shop online, traditional e-commerce, and mobile commerce in particular, will be a greater driver of growth in payments than POS spending.

Growing demand for payments across countries and in different currencies should benefit companies such as Worldpay that are able to provide secure foreign exchange processing for payments in multiple currencies. The company’s presence across global markets makes it well positioned to capitalize on future growth in global payments.

¹<https://www.statista.com/statistics/379046/worldwide-retail-e-commerce-sales/>

²<https://hbr.org/2016/04/a-chart-that-shows-which-industries-are-the-most-digital-and-why>

Worldpay

Catalysts	Growth Rates
Increasing e-commerce revenue and participation	5-Year CAGR Revenue Growth 17%
Digitized transacting penetration in “mature” sectors is low	
Traditional e-Commerce is outpacing point-of-sale (POS) spending	Projected 5-Year CAGR Revenue Growth 7%

Contact your Financial Advisor to learn more about how the Mackenzie Growth Team is investing in secular growth opportunities.

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