



CANADIAN PREPAID CARD MARKET

KEY INSIGHTS AND TRENDS

BY VAKEESAN MAHALINGAM, CFA

KEY TAKEAWAYS

- ❖ The Prepaid Market in Canada is still in its infancy compared to other parts of the world
- ❖ The prepaid market in Canada is expected to grow by 500% to \$33 Billion in Value by 2030 (Based on a CAGR of 20% from 2021- 2030)
- ❖ COVID-19 has accelerated the adoption of digital payments reducing the need for paper money and cheques, which has increased the adoption of prepaid cards to solve pain points and reduce inefficiencies
- ❖ Structural changes in the workforce and “future of work” will drastically increase the number of gig economy workers in Canada, who will look to real-time payments
- ❖ Cryptocurrency adoption, and the acceleration of mobile and virtual payments present accelerated growth opportunities for the prepaid market

THE PREPAID MARKET LANDSCAPE

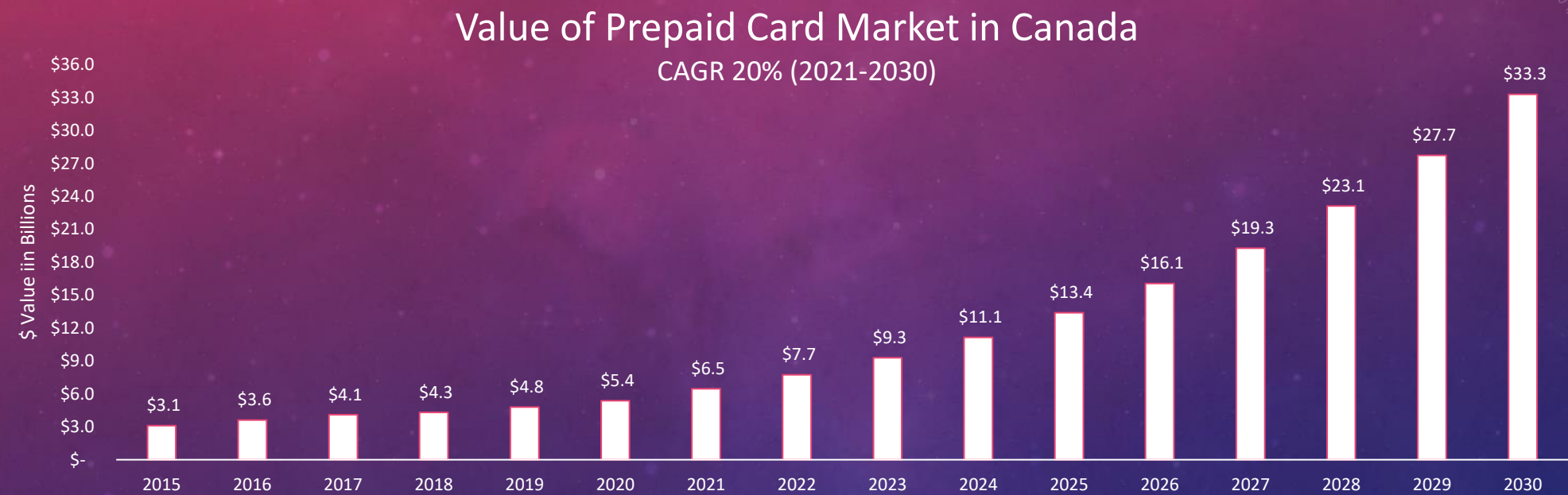
THE CANADIAN MARKET IS IN ITS INFANCY WITH ROOM FOR EXPONENTIAL GROWTH
RELATIVE TO MATURE MARKETS



*Figures based in US Dollars

PREPAID MARKET IN CANADA EXPECTED TO SKYROCKET

WITH RISE IN MOBILE AND VIRTUAL PAYMENTS AND INCREASED ADOPTION OF CHALLENGER BANKS AND PAYTECH INNOVATION



“
Open-loop prepaid products continue to take a bite out of cheques, improving efficiencies, costs and security in the Canadian payments system

”
David Eason, CPPO chairman

Corporations and Governments continually replacing paper cheques with prepaid cards across corporate disbursements, payroll, healthcare benefits, disaster relief, student cards, and employee incentive programs, social assistance benefits

PREPAID IS THE “CHEQUE KILLER”

❖ **\$5.8 Billion** - Total cost of cutting cheques in Canada each year

❖ **550+ Million** - The number of cheques cut each year

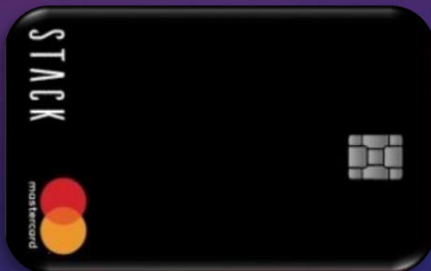
Prepaid cards offer significantly cheaper payment costs, can be digitally distributed across the country, are secure, traceable, auditable, reliable, fast and offer a variety of functionality that paper cheques do not

In the next 10 years, paper cheques will become a thing of the past, as Corporations and the Canadian Government move to digitize and modernize their payment systems with the acceleration of digitization brought on by the COVID-19 pandemic



6 MILLION CANADIANS ARE NEGLECTED BY TRADITIONAL FINANCIAL INSTITUTIONS

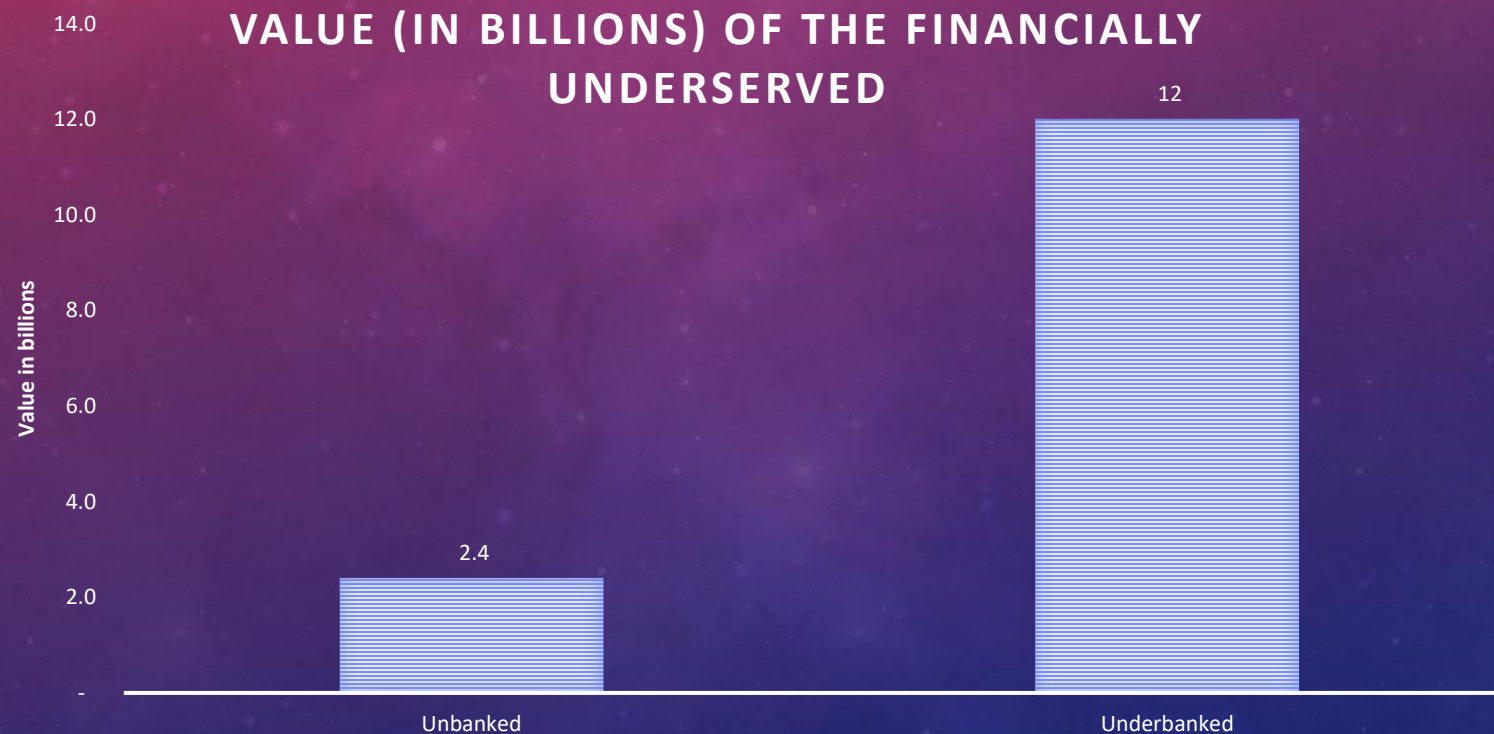
- ❖ 1 Million Canadians are unbanked and require financial inclusion to thrive economically
- ❖ 5 Million Canadians are underbanked and prepaid options provide gateways of convenience and affordable access to finances
- ❖ The rise in challenger banks and fintech firms in Canada are addressing the gap to become essential options for those left out by the top 5 banks in Canada.



A \$14.4 BILLION DOLLAR OPPORTUNITY

RIPE FOR DISRUPTION, PREPAID CARDS COULD BECOME THE GO-TO OPTION FOR A BILLION-DOLLAR INDUSTRY BY SERVICING THE UNBANKED AND UNDERBANKED, WHO ARE NEGLECTED BY THE BIG 5 BANKS IN CANADA

IF CDIC SECURES THE FUNDS ON PREPAID DEBIT CARDS, THIS WILL BE A LARGE GROWTH AREA FOR PAYROLL DIRECT DEPOSITS AMONG THE UNBANKED



Assuming all 6M underbanked/unbanked are served by prepaid market with avg monthly balance of \$200

CANADIAN GIG ECONOMY PRESENTS OPPORTUNITY FOR PREPAID MARKET GROWTH

- ❖ By 2028, Freelancers will make up more than 50% of the entire workforce
- ❖ > 40% of Canadian millennials have participated in “the gig economy” over the last 5 years
- ❖ 42% of males and 45% of females aged 18-34 have participated in freelance work since 2014
- ❖ 62% of Canadians say they would feel more loyal to a company that pays them in real time
- ❖ 85% would take on more gig work if they paid faster

PREPAID INNOVATION THAT BENEFITS THE GIG ECONOMY

Real time, faster
payroll

No banking
fees, FX

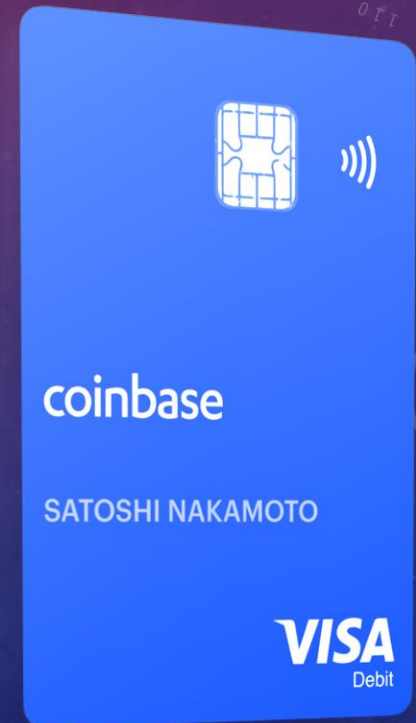
Customized
loyalty &
rewards

Feature-rich
mobile app

Fund transfer,
Direct Bill Pay,
Digital Invoicing

NEW OPPORTUNITIES FOR GROWTH

- ❖ In September 2020, the industry with the highest share of BitPay payments worldwide was prepaid/gift cards, which amounted to 26.3 percent
- ❖ The Cryptocurrency market is a new largely untapped multi-trillion-dollar growth opportunity for Canadian and Global prepaid markets
- ❖ With the rise of Central Bank Digital Currencies (CBDCs) and Stablecoins the need for prepaid cards to spend crypto and digital assets will rise exponentially over the coming decade as the crypto market matures



MARKET FORECASTS

- ❖ The CDIC will secure the funds on prepaid debit cards with the rise of the gig economy which will be a large growth area for payroll direct deposits among the unbanked, underbanked, and freelance workforce
- ❖ Tech giants like Shopify and Google will enter the Canadian market with prepaid products, helping further expand consumer awareness, corporate adoption, and market size in Canada
- ❖ The Big 5 Banks will launch new products to compete with fintech and paytech firms, further increasing adoption and market size



MARKET FORECASTS

- ❖ The payment monetization initiative at the Federal Government level in Canada will bring about regulatory change specific to retail and real-time rail systems modernizing payroll structures in Canada
- ❖ Open banking adoption will determine rate of growth in the paytech landscape over the next decade
- ❖ Cryptocurrency adoption and maturity will drive strong growth in Canadian prepaid markets as it is the bridge between crypto and fiat in the real world



The background is a gradient of deep purple and blue, filled with numerous out-of-focus circular light spots (bokeh) in various shades. Overlaid on the left side are several white, semi-transparent circular elements. These include concentric circles, dashed lines, and a prominent circular scale with tick marks and numbers ranging from 140 to 260. Some of these circles have small arrows indicating a clockwise direction. The overall aesthetic is futuristic and technical.

THANK YOU!