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Apple Inc.'s Apple Pay Volume Skyrockets 500% (AAPL)

Mobile payment is becoming more popular and Apple Pay is killing it

By **Brad Moon, InvestorPlace Contributor** Oct 26, 2016, 10:29 am EST

One of the (few) bright spots in **Apple Inc.'s** (NASDAQ:[AAPL](#)) latest quarterly earnings report was Apple Pay.

Transaction volume for Apple's mobile payment solution were up a whopping 500% year-over-year. On the earnings call, CEO Tim Cook announced that the number of Apple Pay transactions in September alone exceeded the volume for all of 2015.



That's good news. But better still is that Apple Pay could have a whole lot more runway left.

Source: Apple

Mobile Payments Are Gaining Acceptance. Apple Pay Is Gaining Ground.

Go back several years, and mobile payments were a mess. Technology companies, cellular providers, financial institutions, credit card companies and retailers were all pushing the idea. But the landscape was littered with competing solutions, retailers were balking at the cost of installing terminals and confused consumers were avoiding the technology.

In 2012, despite the growing number of competing services, [U.S. consumers spent only \\$500 million using mobile payments systems](#). And almost all of those transactions took place at **Starbucks Corporation** (NASDAQ:[SBUX](#)), using that company's own mobile payment app.



NASDAQ:[GOOGL](#)) Android Pay, mobile payments began to take off. In-store mobile payments tripled in volume in 2015 compared to the previous year, and are on track for a record 2016. *Business Insider* is predicting U.S. in-store [mobile payment transactions will hit \\$75 billion this year](#), reaching \$503 billion by 2020.

AAPL has taken a lead in the U.S. with mobile payments. In June, *Fortune* reported [Apple Pay accounts for three-fourths of all U.S. contactless payments](#).

How Profitable is Apple Pay?

AAPL collects a 0.15% transaction fee for every purchase made using Apple Pay. That works out to just 15 cents on every \$100 spent. That seems trivial compared to the \$400 or so in profit the company reaps from the sales of every iPhone 7. However, when you look at the big picture — the huge potential for mobile payments worldwide — the numbers can add up quickly.

That \$503 billion in U.S in-store payments in 2020 would represent more than \$750 million in fees for AAPL if Apple Pay were used.

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That's just the U.S., and just in-store. [Worldwide mobile payments are expected to hit \\$620 billion this year](#). And then there's online shopping, where services like **PayPal Holdings Inc** (NASDAQ:[PYPL](#)) currently dominate.

Apple didn't break out Apple Pay revenue in its [earnings report](#), but it falls under the Services segment. And Services saw revenue of \$6.3 billion, up from \$5 billion compared to the previous year.

Apple Pay Has More Room for Growth



a chunk of business from PayPal as consumers shop online for Christmas gifts. Last year on Black Friday, [over 27% of all online purchases on Black Friday came from iOS devices...](#)

Apple is also furiously expanding support for Apple Pay, [rolling the service out to China](#), Canada and other countries in 2016. It has also continued to aggressively expand its network of participating retailers, banks and credit cards.

Apple Pay may not have the sort of lead-up and excitement of a new iPhone launch, and it's certainly nowhere near generating the same numbers. However, it's proving to be an increasingly valuable product for AAPL. It provides recurring revenue the company can count on. That revenue stream has high growth potential, and once the initial agreement is made with a vendor, there's little effort or expenditure required on Apple's part to keep the money flowing.

The latest earnings report show that while mobile payments have been an elusive pipe dream for many companies, AAPL is making it work, and in an increasingly big way.

As of this writing, Brad Moon did not hold a position in any of the aforementioned securities.

Man Who Recommended Apple for an Extraordinary 50,662% Gain Over Time... Spots the Next Big Thing

Investing legend Louis Navellier believes a **tiny company** at the forefront of the 5G technology boom **could be the "next Intel."**

You'll want to pay attention because he spotted Amazon before it *shot up 3,972%*... Intel before it *shot up 12,815%*... Netflix before it *shot up 24,221%*... and Apple before it *shot up 50,662%*.

[Here's why he believes this under-the-radar 5G stock could do the same.](#)

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