Oxford Communiqué Investor Report:

Cashing in on the Cashless Payments Revolution

By Chris Mathai, Research Team, The Oxford Club
A historic megatrend – which most Americans aren’t even paying attention to – is certainly about to transform our economy… and possibly our world.

For the first time since the invention of coins, circa 786 BC, money is undergoing a radical transformation. The money we’ve known for thousands of years is about to be replaced by a new medium of exchange.

In some circles, the shift is already underway…

This will rapidly accelerate the flow of money around the globe. In some cases, it will speed up the exchange of money 10-, 20-, even 1,500-fold. That will have enormous consequences – not just for business and finance – but humanity itself.

Esteemed Yale economics professor Robert J. Shiller, author of Irrational Exuberance, says the boom will “transform the world economy.”

In this report, you’ll discover everything you need to know about the event we call the Great Money Shift. We will also tell you about three different companies that are set to see their profits soar from the coming money transformation.

To understand how best to prepare for the shift, it helps to know something about the history of money. Because it’s important to grasp that this isn’t the first time the nature of money has shifted.

Looking back, we realize that every thousand years or so, money undergoes a radical transformation. Each new transformation alters not only the financial world – it transforms human civilization.

Over the next 12-18 months, that’s exactly the type of event we’re going to experience, for the first time since ancient Greece. Let us show you how it will impact your investments and your life in profound ways.

The Biggest Investment Story… Since Before Christ

For more than 10,000 years, the human money supply has consisted of physical stuff.

Early examples – proto money – included obsidian, which ancient Mesopotamians could use for tools and weapons.

Other ancient civilizations used grain, salt, cattle, and cowry shells for money. These monetary systems tended to move slowly. Imagine going to the grocery store and having to pay for each item with a different currency! Likewise, imagine receiving your paycheck in constantly shifting amounts of grain, cattle and shells.
But sometime around 786 BC, money underwent a radical transformation.

The Lydians of Western Turkey minted the first true coin: the Lydian “stater.” These lumps of electrum (a natural mix of silver and gold) sent the Lydian economy into hyper-drive. They provided a universally recognized store of value. Unlike cattle, shells or bushels of grain, Lydians could easily transport and exchange the new form of money.

Farmers could buy goods from leather workers (even ones who didn’t want cattle). Leather workers could sell goods to common laborers. But here’s what was most important. Anyone could now exchange the new money for ideas. That led to new social, technological and cultural advances. Lydia’s economy exploded.

Coins quickly spread to neighboring Greece. They were so powerful at accelerating commerce that the Greeks began stamping their own coins by around 600 BC.

The first money shift brought economic miracles to the Greeks, too. The reason was simple. The new currency allowed for the rapid exchange of goods, services and – most importantly – ideas. This spurred innovation, competition and market-driven advances in education, culture and technology.

As Yale economist Robert Shiller wrote:

“*The invention of coins greatly enhanced the spread of knowledge. After the invention of coins, it became easy to sell books, lessons, and instructions. The development of coins is part of the reason that both the classical world around ancient Lydia and China in the Han Dynasty were so advanced compared to other parts of the world.*”

For example, in Xenophon’s Symposium, Socrates remarks to Callias: “You have yourself spent sums of money on Protagoras, and Gorgias, and Prodicus, and a host of others, to learn wisdom.” Before money, of course, it was impossible to purchase education on a grand scale. But this became common in Greece.

The demand for knowledge created a virtuous cycle. As money spread, so did ideas. Those ideas included democracy, Western science, logic and respect for the individual. Indeed, the cornerstones of our own civilization were laid in Greece.

As Greece’s empire grew, her influence – and money – spread across Asia, the Levant, Persia and Europe. And along with that
came the rise of Western civilization.

Eventually, of course, money would undergo several less dramatic changes. The advent of paper money is the primary example. Like the other transformations, paper money increased the amount of money in circulation… and the rate at which that money was exchanged.

Paper money came into use in China around 790 AD. But the first paper money didn’t appear in Europe until about 1661.

In both cases, paper money marked a significant shift. Money went from being something with intrinsic value – like a weight of pure gold – to something with no intrinsic value. The paper merely represented gold or silver held in a vault. But this innovation again increased the amount of money in circulation – and the velocity of money. That helped to fund America’s rise to prominence throughout the 20th century.

In 1972, President Richard Nixon triggered the next money shift. He abolished the “gold standard.”

Suddenly, paper money didn’t represent anything of physical value. Its only value was as “fiat currency:” money that only has value because, well, the government says so. This move led to rampant inflation, soaring debt and runaway government spending. With money-printing no longer anchored to gold, the government could print as much as it wanted!

This easy-money mentality helped fuel the internet boom, the real estate bubble and the rise of China. It generated enormous fortunes and devastated others.

But the next great money shift will prove more radical – and complete – than any that has come before.

**The Old Money Supply Is Already Disappearing… Into Thin Air**

You see, the world’s money supply won’t just change forms. It won’t become more representational. **Instead, money is about to leave the physical realm altogether – and forever.**

If our research is correct, we could soon face the end of cash – and the beginning of a whole new monetary epoch.

As the prestigious Brookings Institute reports:

> Over the course of history, there have been many different forms of payment systems, including barter, gold, and paper currency. In the mid-20th century, charge cards debuted. Ever since then, pundits have been predicting the demise of cash and the emergence of
In fact, it’s already happening. For the first time, money is beginning to leave the physical world – and accelerate at light speed into the electronic world.

This is no theory. In fact, thanks to rapid advances in technology – and a new age of monetary policy – the transition to an electronic money supply will soon be complete.

In the United States, 93% of our money supply has already shifted to electronic form. The remaining 7% will soon follow.

So where is the rest of the world’s money supply? It’s on computers, flying around the internet, leaping across wi-fi networks, and stored on hard drives as 1’s and 0’s.

The American Institute for Economic Research reports that – worldwide – **93 out of every 100 dollars now exist electronically. Only electronically.** That means of the $59 trillion global money supply, only $3.9 trillion is in cash and coins.

The megatrend isn’t slowing down. On the contrary… it’s rapidly accelerating.

According to the *Wall Street Journal*, our nation’s supply of physical cash climbed 18% from 2009 to 2011. During that same period, the supply of digital dollars soared 2,915%, from $33 billion to nearly $1 trillion. **That means for every physical dollar the government creates, it’s now creating $162 electronic dollars.**

Not only is the transition to electronic money accelerating; that shift will cause money itself to accelerate. Electronic money moves faster than physical money by a factor of 10, 20 or 1,000,000 times in some cases. The supply of electronic money also grows faster. Much faster. These twin forces – more money moving faster – will change the world in dramatic ways. (Remember what happened when money entered coin form with the ancient Greeks? Same thing, but infinitely faster…)

But what does all this mean for us as investors? Here’s how you can benefit.

**Cashless Payments Revolution Opportunity #1: Welcome to the Age of “Near Field Communications”**

If you’ve recently seen the Samsung Galaxy III TV ads where the people touch phones to transfer information and pictures, you were witnessing near field communications in action.

Near field communication – or NFC – is a set of standards for smartphones and similar devices to establish radio communication with each other by touching them together or bringing them
into close proximity.

NFC technology has expanded way beyond transferring pictures. It now provides individuals the capability to electronically transfer funds from their account to someone else’s, eliminating the need for physical cash or credit cards.

Smartphones can use an NFC chip to communicate with NFC-equipped cash registers. Instead of handing your credit card to someone or swiping it… you simply hold your phone over the NFC reader. With a single “tap,” you complete the transaction.

The electronic money literally flies through the air via secure radio signals to the cash register.

That’s how NFC will accelerate commerce. But it will also accelerate the exchange of ideas and promotions, and lead to whole new industries.

This trend will only accelerate as the biggest players in the world jump onboard. MasterCard, for example, is rolling out its new NFC-powered payment system right now. They’re calling it PayPass. Download the program on your smartphone. Next time you visit McDonald’s… Home Depot… Best Buy… 7-11… or thousands of other stores, you can simply “tap and go.”

Stalwart Visa owns the biggest electronic-payment network on earth. Its new VisaNet now processes 150 million payments a day. That’s 80 billion per year. On Visa’s busiest day, it handles over 200 million payments. Over the next 12 months, an estimated $6.3 trillion in purely electronic money will flow through VisaNet’s system.

The electronic-money systems run by private banks, MasterCard, Amazon and PayPal will start processing countless millions more. MasterCard now processes a new electronic payment every 130 milliseconds – about a third of the time it takes to blink your eye.

These billions of transactions each happen in less than one second – on average.

When you stop for gas… When you buy something on Amazon or any website… Even when they receive their paychecks, pay bills or file taxes… All of these things happen electronically now. Some 93% of all this money will never inhabit physical reality.

Most people won’t realize what’s really going on. You can’t SEE it, after all. But the shift to an electronic money supply will rapidly accelerate the exchange of money, goods, services… and ideas… worldwide.

*We believe the days of physical money are numbered.* The end will come much sooner than most believe. For some people and businesses, that day has already arrived.
And for those already in the electronic money business, the future looks extremely bright.

**A Global Payment Player**

Our first pick undoubtedly plays right into the electronic money shift. Founded in 1967 and based in Atlanta, Georgia, **Global Payments Inc.** (NYSE: GPN) is a leader in electronic payment processing services.

It processes billions of checks, payment cards and eCommerce transactions annually for more than one million locations around the world.

For Global Payments, diversity is not an issue.

Its customers range from merchants and consumers to multi-national corporations, government agencies and financial institutions. The company serves retailers, automotive services, restaurants, education, health care, lodging and gaming establishments, and utilities.

And it has one of the best international footprints.

Already, it has strong market share in Canada, Europe and the United States. And the company has been aggressive in acquisitions, giving it exposure in emerging markets like China, India and Russia.

**The Electronic Middleman**

Global Payment works as a middleman between the credit and debt networks, the merchant and the financial institutions that issue cards to facilitate electronic payments.

It offers credit and debit card transaction processing services to several international card brands. You’re certainly familiar with American Express, Discover, MasterCard and Visa; these are just a few of their customers.

The company operates throughout the Asia Pacific region in countries like Hong Kong, Malaysia, the Philippines, Singapore, Sri Lanka and Taiwan. It also serves China Union Pay, a bank card association in China that has issued over 2.3 billion cards worldwide.

As the emerging markets continue their economic growth, the demand for electronic payment cards and transactions will surely increase, boosting Global Payments bottom-line along the way.

Last, but certainly not least, there’s the casino and gaming industry.

In 1931, the first casino opened in the United States. Today, there are almost 1,500 that generate over $34 billion in revenue.
And while states like Nevada, Pennsylvania and New Jersey currently hold the top three spots for gaming revenue, others are jumping onboard…

Connecticut, New York, Maryland, Delaware, Maine, Rhode Island and Massachusetts have approved gaming in their states in just the past few years. And Ohio, Indiana, Illinois and Michigan already have casinos operating with more to come.

It’s simple: More and more states are looking for additional revenue sources, and gaming is becoming a big part of their perceived solution.

Global Payments offers a program of services to help casino patrons get access to funds and pay debts hassle-free. Its VIP LightSpeed proprietary software and VIP Preferred Advantage products provide the tools needed to the gaming industry. The programs can create check cashing limits for casino customers and provide things such as credit and debit card cash advance, traditional and electronic check cashing, turnkey ATM services, and player history and credit reports.

As states all over the U.S. continue to approve and develop gaming establishments, demand for Global Payments gaming software and products will increase in step.

And with large market exposure and demand for its electric payment solutions increasing, it’s no surprise that the Global Payment’s revenue and earnings estimates over the next few years are expected to continue breaking records.

**Records Are Meant to be Broken**

Global Payments financials are very strong, and with the electronic money shift underway… the company has a bright future ahead.

With a mid-range market cap around $3.8 billion, the company has plenty of room to grow before it hits the large cap category. Shares are inexpensive, with a price-to-earnings ratio of 13.05 – well below the industry average of 26.40.

The balance sheet is strong, with over $3 billion in total assets and a debt-to-equity ratio of 77%, far below the rest of the industry, which clocks in above 124%.

Profit margins over the past twelve months top 7.66% and return-on-equity (ROE) is 14.60%.

Plus, it has plenty of cash: over $682.96 million currently on the books.

But it’s the company’s sales and earnings progress that really give investors something to drool over.
Global Payments revenue growth over the past few years has been excellent. The company has broken previous annual sales records every year since it started publically trading more than a decade ago. And future revenue estimates have it shooting past even more records in coming years. Just look at the chart below:

Consensus analyst estimates have Global Payments topping its previous year’s sales for the next three years straight. That is fantastic growth and signals a rapidly growing company.

In 2016, we might see the first time the company fails to achieve a new sales record in the last 17 years. But a lot can happen between now and then… and we wouldn’t be surprised to see the company crush it again. Regardless, revenue is projected to approach or top $2.8 billion.

Then there are earnings. The chart below speaks for itself:
Projections have Global Payments growing diluted earnings 15% year-over-year in 2013 and over 10% in 2014.

And we aren't the only analysts screaming “buy” here. Currently, there are 16 analysts rating the company as a buy.


Even the more conservative price target has Global Payments’ stock price increasing by more than 10% over the next year.

With all the positive metrics and record breaking sales projections, I think you get our point…

There is no time like the present to pick up some shares.

**Action to take:** Buy Global Payments Inc. (NYSE: GPN) at market. And use our customary 25% trailing stop to protect your principal and your profits.

**Cashless Payments Revolution Opportunity #2:**

**Time to Increase Your PAY**

Our next electronic money boom play is VeriFone Systems Inc. (NYSE: PAY).

Founded in 1981, the company is a leading provider of technology that enables electronic payment transactions.

VeriFone is on the forefront of designing solutions and products that are shifting transactions towards electronic payments and away from cash and checks.

Its main focus is on point of sale (POS) electronic payment devices. VeriFone provides the hardware and software required for vendors to take payment from customers in all types of environments.

Whether your business has a checkout counter, is on the go and needs a portable payment system, or is unattended (like TransitPAY for buses and subways), VeriFone has countless hardware devices that fit a broad range of industries.

Its clients cover a wide assortment of industries, including the financial, payment processing, retail, transit, healthcare, petroleum, hotel and resorts, taxi, and restaurants and hospitality sectors.
It processes a large variety of payment types, including PIN and signature-based debit cards, credit cards, contactless and radio frequency identification, smart cards and gift cards. And VeriFone recently developed SAIL, a mobile payment system that allows people to pay with their smartphones and tablets.

There is no doubt VeriFone is an innovative player set to prosper as the electronic money revolution expands. But there is no need to wait to buy this stock. The company is already doing a great job of profitably managing and growing its business.

**Business Is *Already* Booming**

VeriFone has some excellent business metrics and it starts with valuation. Currently its shares are very inexpensive, with a forward P/E ratio of 10.06: below the industry average of 14.03.

First Quarter year-over-year quarterly revenue grew 2.2% to $428.75 million. And look at the chart on the following page, its revenue estimates for the next two fiscal years.

As you can see in the chart on the next page, VeriFone has done an excellent job of increasing its revenue over the past few years. **In 2012, it once again broke its fiscal sales record. And in 2013 and 2014, it's projected to do it again.**

Just like Global Payments, analysts agree with us on VeriFone…

Eight analysts rate VeriFone a buy, with Wayne Johnson of Raymond James the most recent to cover the stock. He gave it an outperform rating. Darrin Peller of Barclays also weighed in, designating VeriFone with an overweight rating.

The consensus twelve-month price target for the stock is about $29. If that price is reached, it means investors who get in now could achieve a return of nearly 50% in less than a year… Can't complain about that.

With a great business model, strong financial metrics and popular cutting-edge products, VeriFone is in a perfect position to prosper as the global money shift takes hold. We suggest putting this stock in your portfolio if you want to profit as well.

**Action to take:** Buy *VeriFone Systems Inc.* (NYSE: PAY) at market. And use our customary 25%
trailing stop to protect your principal and your profits.

Cashless Payments Revolution Opportunity #3: Leave Your Cash and Credit Cards Behind… Bring Your “Mobile Wallet”

Our last pick is on the forefront of near field communication (NFC) devices. As we mentioned before, these devices allow NFC-equipped registers to accept payment wirelessly from any device with an NFC chip.

Formerly a division of Philips, NXP Semiconductors (Nasdaq: NXPI) was founded in 2006. The Company is a co-inventor of NFC and is the leading NFC partner in commercial solutions.

Based in the Netherlands, the company provides contactless payment technology, along with automotive, identification, wireless infrastructure, lighting, industrial, consumer and computing applications.

NXP’s competitive advantage is that it’s already a big, global player in the NFC industry. The company operates in more than 25 different countries and brings in more than $4.3 billion in revenue.

In addition, the company has successfully tapped into the largest (and one of the fastest growing NFC regions) market on the planet: China. NXP currently gets the largest portion of its sales from China: over 36%.

Plus, because of its size and breadth of coverage, NXP has become the NFC partner of choice. It provides products to the top five players that serve more than 80% of the payment market. And companies like Apple, Samsung and Nokia are part of its top ten customer list.

Its NFC technology allows for secure and convenient purchases with countless mobile devices. Many are calling the technology a “mobile wallet.” The technology can store confidential personal data like credit cards, coupons, digital rights and membership data.

It also provides SmartMX and FastPay which are smart card solutions. FastPay currently supports

![NFC - Leading the Global Payment Rise](image-url)
MasterCard and Visa for contactless payments.

NXP’s CEO, Rick Clemmer, recently stated that demand for NFC chips will outstrip the wider chip market next year. He believes that NXP will grow 50% faster than the chip market.

By the end of this year, Clemmer expects NFC chips to be available in more than 100 million phones.

J.P. Morgan has stated that NXP remains well positioned to grow faster than its peers. It can do customized company-specific designs, and have healthy exposure to high-growth segments such as identification, consumer and automotive. In addition, its business with high profile customers Samsung, Apple and Nokia is expanding.

Recent results look promising; the company grew its revenue 19.9% last quarter compared to the same period last year. And revenue projections are also very positive for the company looking forward: $4.7 billion for 2013 and $5.1 billion for 2014.

However, we are slightly concerned about the company’s high debt load. It has over $3.4 billion of debt on its balance sheet, which poses a risk to its bottom-line. On the positive side, it does generate more than $744 million in operating cash flow, which can be partially used to pay down debt.

But seeing that future NFC chip demand looks so bright and NXP is the top player in the field, we like its prospects. If demand and sales continue to grow, the company will be able to deleverage its balance sheet.

And the analysts once again agree…

Currently, nine analysts rate NXP a buy, with a $36 consensus 12-month price target. With the stock currently trading around $29, that implies a possible 20% boost in price during the next 12 months. Pretty appealing when you consider some of the fixed-income alternatives…

Pick up some shares of NXP Semiconductors. With the electronic money shift underway, NFC chip demand will continue to grow and help boost NXP’s profits.

**Action to take:** Buy NXP Semiconductors (Nasdaq: NXPI) at market. And use our customary 25% trailing stop to protect your principal and your profits.
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Also, by the time you receive this report, there is a chance that we may have exited a recommendation previously included in one of our portfolios. Occasionally, this happens because we use a disciplined “trailing stop” philosophy with our investments, meaning that any time a company's share price falls 25% from its high, we sell the stock.