



N26' Profitability Analysis

STRICTLY CONFIDENTIAL



N26

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N26

Market and Business Drivers

- N26 has business in 5 countries, Germany being the biggest market with 82k active users and also being responsible for the most part of profit margin earned in the business. 1,49% of total churn rate is from German market.
- Despite that, the better margin per user is not inside Germany, being 1st - France and 2nd - Italy, both the markets with best profit margin per user.
- N26 had 120k active users in June of 2024, with churn rate of 4.7%, in line with market average between (4% and 7%) in tech companies. Then converted 40k new clients and lost 5.7k of them in the first semester of 2024. An impressive client expansion for European Markets.

N26 Business Drivers

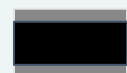
What is the market and drivers of N26 business?

Recommendations

- N26 can expand user base and invest selling Fee Metal Plan to new clients in France and Italy, where the business has the highest profit margins and only 12k users each one.
- N26 can see in detail the churn drivers, trying to improve retention by improving onboarding process, user experience in the app and trying to improve NPS between the clients with fast app support.

H1 2024 - P&L Margin by Product

Product	% Margin	Profit (MM €)
Crypto	1,73	€1,99
Customer Operations	-3,05	(€3,50)
Deposits	-0,57	(€0,66)
Payments	0,49	€0,57
Savings	-0,55	(€0,63)
Subscription	2,44	€2,81
Total Margin	0,49	€0,58



Plan Fee Metal Margin = €1,6 MM



Highest Revenue = €219,83



Highest Cost = (€159,14)



Average Margin = €0,25

What products generate profits in N26?

Highlights:

Products:

- The products with the best profit margins are **Subscription** and **Crypto** services. Cost driver is mainly in **Customer Operations**.

Profit:

- Subscription** profit is on Plan Fee Metal Upgrade. In **Crypto** the profit is earned by Spread Earned and **Payments** earn good margin in ATM Withdrawal Fee.

Loss:

- Cost in **Customer Operations** are concentrated in Customer Service, Fraud Investigation and Chargeback Processing.

Recommendations

- The Plan Fee Metal is the star product in N26 with the best margin, earning 5x more than the average margin profit among all products.
- I strongly recommend to invest as much as possible in this product for upgrades and for new users expansion.
- I recommend discouraging and reducing ATM Withdrawal and the use of Payments services. This product creates many financial services cost with low profit margin.

Profit-at-risk

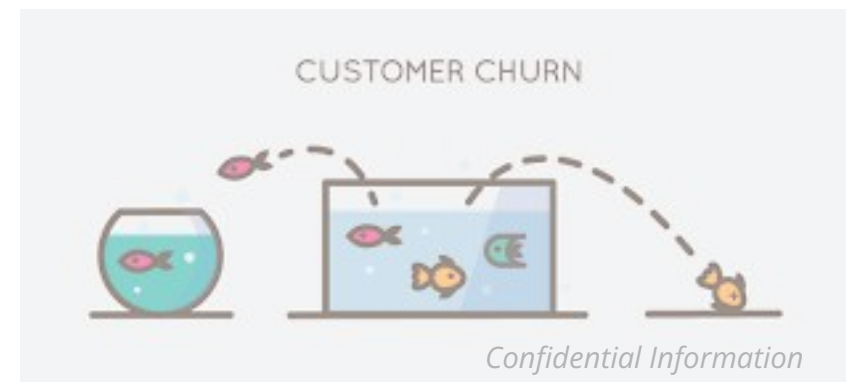
- I believe that the most impactful profit at risk driver is the churn rate in a tech company, because of churn, N26 may lose clients, reduce growth and burn cash of marketing expansion campaigns.
- Maintaining the actual churn rate of 4,7%, N26 will put in risk profit of €327K per year, €27K per month and €50K per country.
- The product with more profit at risk potential is Subscription, that can lose 12% of potential profit margin and 2% of profit margin in total profit. The star product of N26, Plan Fee Metal may lose 7% of potential profit margin.

Profit-at-risk

How N26 is letting money in the desk?

Recommendations

- Improving churn rate, N26 can increase revenue, spend less cash in Customer Operations, Support Services and Chargeback Processing. Then with more cash available for Capex, may invest in security infrastructures and expansion in more profitable markets as France and Italy.





**Thank you N26 for the
Challenge!!**