Executive Presentation

KUESKI PAY PORTFOLIO ANALYSIS

Q1 2025 Vintages

January – March 2025

Financial Analysis & Strategic Recommendations

February 2025

Critical Alert

Executive Summary: Portfolio Status

UNPROFITABLE
Immediate Action Required

Total Loans	Total Funded	Net Margin	Loss Rate
9,396	$10.6M	-$1.29M	18.8%
Active portfolio	Capital deployed	-12.11% margin rate	Portfolio-wide average

Key Finding

57.7%

High Risk + Very High Risk Segments

Risk bands 4-4.2 and 5 represent over half of the total portfolio volume but are driving catastrophic losses.

97%

Concentration of Total Losses

These two segments alone account for nearly all portfolio losses, indicating severe risk mispricing.

Strategic Recommendation

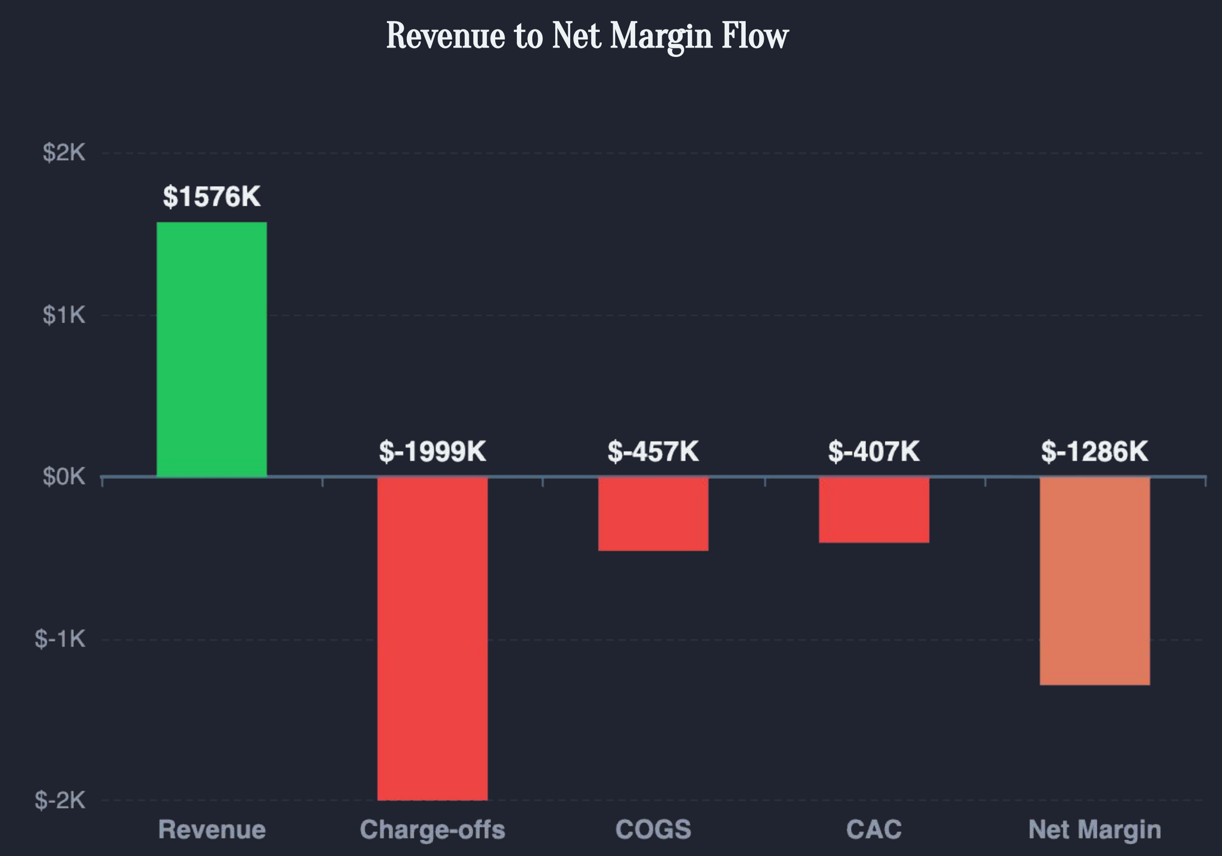
Immediate policy intervention required to restore portfolio profitability:

1. CHANGE acquisition policy
2. CHANGE pricing policy

Both levers must be activated simultaneously to achieve break-even.

Financial Breakdown

Portfolio P&L Waterfall Analysis



P&L Components

Revenue	+$1,576K
Charge-offs	-$1,999K
COGS	-$457K
CAC	-$407K
NET MARGIN	**-$1,286K**

Critical Problem

Charge-offs exceed total revenue by **$423K**

This structural imbalance makes the current portfolio model unsustainable without immediate intervention.

Temporal Analysis

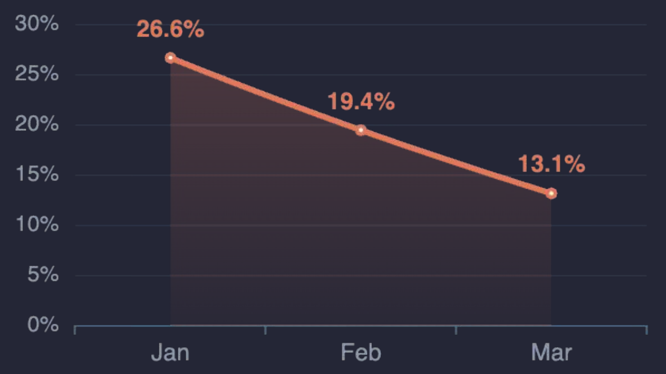
Performance by Vintage

Vintage Performance Metrics

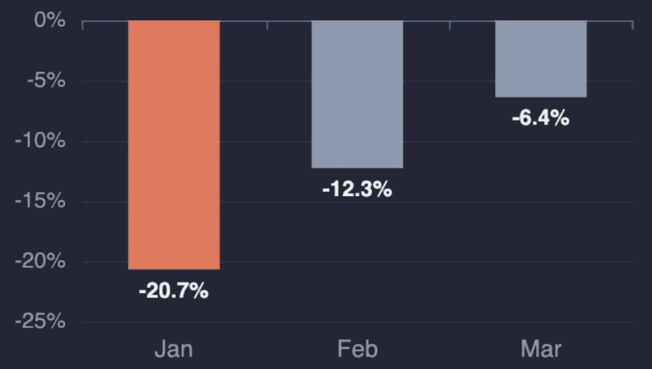
Vintage	Loans	Funded	Loss Rate	Net Margin
Jan 2025	2,140	$2.5M	26.6%	−$517K (−20.7%)
Feb 2025	3,694	$4.3M	19.4%	−$522K (−12.3%)
Mar 2025	3,562	$3.9M	13.1%	−$246K (−6.4%)

Trend: Improving performance month-over-month, but all vintages remain deeply unprofitable

Loss Rate Trend



Net Margin Trend



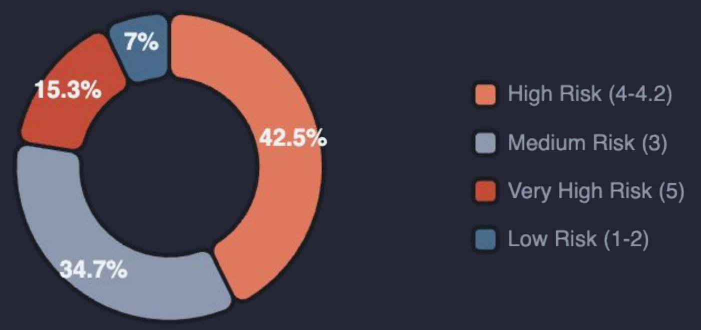
Risk Stratification

Risk Segment Analysis

Portfolio Breakdown by Risk Band

Risk Segment	% Portfolio	Loss Rate	Net Margin	Status
High Risk (4-4.2)	**42.5%**	26.2%	-17.3%	CRITICAL
Medium Risk (3)	**34.7%**	6.4%	-0.7%	MARGINAL
Very High Risk (5)	**15.3%**	34.4%	-27.3%	CRITICAL
Low Risk (1-2)	**7.0%**	0.1%	-5.0%	MARGINAL

Portfolio Distribution



Key Insight

High + Very High Risk 57.7%

Share of Total Losses 97%

Risk bands 4-5 are destroying portfolio value despite representing just over half of volume.

Pricing Analysis

The Yield Gap Problem

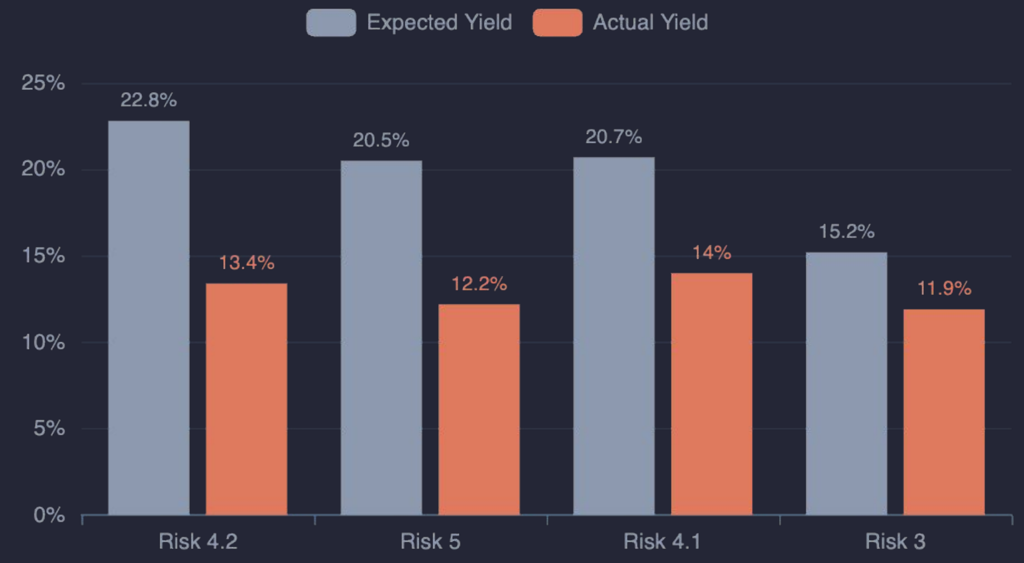
Expected vs Actual Yield by Risk Segment

Risk Segment	Expected	Actual	Gap
High Risk (4.2)	22.8%	13.4%	-9.4%
Very High Risk (5)	20.5%	12.2%	-8.3%
High Risk (4.1)	20.7%	14.0%	-6.7%
Medium Risk (3)	15.2%	11.9%	-3.3%

Gap Analysis

All risk segments show significant yield gaps, with high-risk bands experiencing the largest shortfalls. This indicates systemic collection issues rather than isolated problems.

Yield Gap Visualization



Root Cause Identified

Expected Collection

100%

Actual Collection

66.3%

Interest collection is only **66.3%** of expected, creating a massive revenue shortfall across all segments.

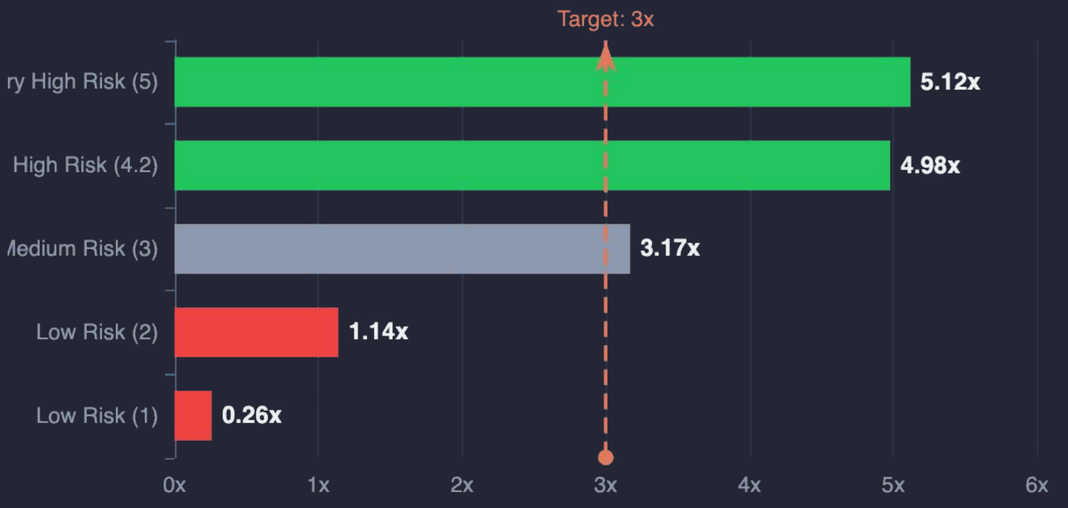
Customer Economics

Unit Economics: LTV/CAC Analysis

Unit Economics by Risk Segment

Risk Segment	Avg CAC	LTV/CAC	Status
Very High Risk (5)	$26	5.12x	GOOD
High Risk (4.2)	$38	4.98x	GOOD
Medium Risk (3)	$54	3.17x	MARGINAL
Low Risk (2)	$73	1.14x	POOR
Low Risk (1)	$135	0.26x	POOR

LTV/CAC Ratio by Segment



The Paradox

High-risk segments show **better unit economics** (5.12x and 4.98x LTV/CAC) but **charge-offs destroy profitability**.

This counterintuitive finding suggests the pricing model is fundamentally misaligned with actual risk performance.

Scenario Analysis

Current State

Baseline performance metrics

Total Loss
-$1.29M

High/Very High Risk Loss
-$1.25M
97% of total

1 Scenario 1

Remove Risk Bands 4.1, 4.2, 5

Remaining Portfolio **$4.5M**

42.5% of current portfolio

Projected Net Margin **-$38K**

Near break-even performance

Improvement

+$1.25M

97% loss reduction

2 Scenario 2

Increase Pricing to Break-Even

Required Rate Increases

Risk 4.1	24.5% →	**38.7%**	(+14.2 pts)
Risk 4.2	28.6% →	**62.8%**	(+34.2 pts)
Risk 5	30.1% →	**71.8%**	(+41.7 pts)

Market Viability Concern

Rate increases of this magnitude may not be competitive or market-viable

Strategic Action Plan

Strategic Recommendations

ACQUISITION
Policy Changes

SUSPEND Risk Band 5
Immediate halt to all lending
Saves $444K

REDUCE Risk Band 4.2
Significantly limit exposure
Saves $572K

MAINTAIN Bands 1-3
Near break-even performance
Preserve volume

PRICING
Policy Changes

INCREASE Risk 4.1 Rates
Moderate adjustment
24.5% → **30-32%**
+5-8 points

MAINTAIN Bands 1-3
Current rates competitive
No change needed

Note: Pricing increases must be market-tested to avoid volume collapse.

OPERATIONAL
Improvements

Focus Collections
Target 0-30 DPD bucket
Early intervention critical

Reduce CAC
Low Risk segments
Current: $73-135
Target: <$50

Impact: Operational improvements can add 1-2 points to net margin.

Projected Outcomes

Expected Impact & Trade-offs

Financial Impact Projection

Metric	Current	Projected	Change
Net Margin	-$1.29M	+$200K to +$500K	+$1.5M to +$1.8M
Net Margin Rate	-12.1%	+5% to +8%	+17 to +20 pts
Loss Rate	18.8%	<8%	-11 pts
Portfolio Size	$10.6M	$6M to $8M	-25% to -40%

The Trade-off

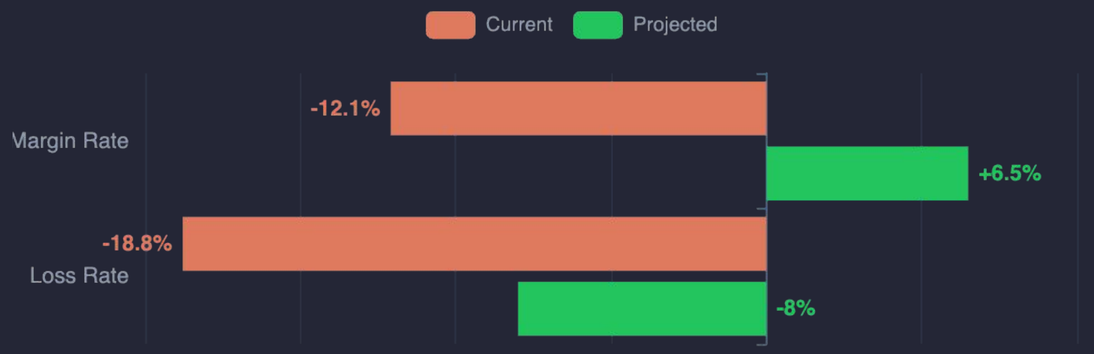
Current Portfolio
$10.6M
Unprofitable

Projected Portfolio
$6-8M
Profitable

Smaller but profitable portfolio

Quality over quantity strategic shift

Key Metrics Improvement



Conclusion

The Evidence Supports the CFO's Position

Current portfolio is unsustainable

-12.11% net margin

Recommended Hybrid Approach

- Eliminate worst segment (Risk Band 5)
- Reduce exposure to Risk Band 4.2
- Increase pricing for remaining high-risk loans
- Maintain focus on Medium Risk (3)

Expected Outcome

Annual Improvement	+$800K to +$1M
Target Net Margin	+5% to +8%
Reduced Loss Rate	<8%

Questions?